

California Public Employees' Retirement System

2009 Annual Compliance Report



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Prepared by the Office of Enterprise Compliance

Acknowledgements

The Chief Compliance Officer would like to acknowledge the following groups and individuals for their contributions toward establishing a successful enterprise-wide compliance program and the completion of this report:

- The Finance Committee Chair, Chief Executive Officer, Chief Investment Officer and the General Counsel for their strong support of the Office of Enterprise Compliance and its mission and activities.
- The Legal Office, Office of Audit Services, and the Information Security Office for their valuable ongoing partnership and support of the Office of Enterprise Compliance's activities, assisting with the creation and development of an innovative, responsive, and effective compliance program.
- The Executive Team and Senior Management, for their support and leadership in successfully introducing, establishing, developing and maintaining the enterprise-wide compliance program.
- All of the Divisions for their contributions to this report and for their ongoing compliance efforts throughout the year.

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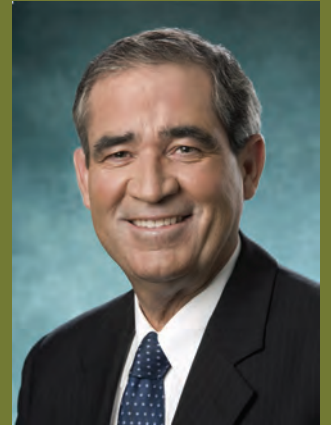
California Public Employees' Retirement System

Year Ending December 31, 2009

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Tony Oliveira, Chair
CalPERS Finance Committee





Chair of the Finance Committee Letter of Transmittal

December 31, 2009

Members of the CalPERS Board of Administration

I am pleased to present the CalPERS Annual Compliance Report for the one-year period ended December 31, 2009.

As the Chair of the Finance Committee, I consider fiduciary responsibility to be of the utmost importance in guiding the actions of the Finance Committee. I applaud CalPERS Board and staff efforts to enhance ethics training, to strengthen the gift policy, and to create the Ad Hoc Governance Committee.

This report summarizes the accomplishments for the entire CalPERS enterprise for 2009 and highlights various compliance enhancements we're pursuing in 2010. This report is the fifth Annual CalPERS Compliance Report.

The Office of Enterprise Compliance (ECOM)'s mission is to promote and support compliance as we conduct business in our primary business lines of investments, health, and pensions. We strive for full compliance with all applicable laws, rules, regulations, policies, and best practices.

ECOM monitors the adequacy and integrity of CalPERS systems by creating a centralized monitoring function and reporting the efficiency of these systems, policies and controls to the Board of Administration and the Finance Committee. In addition, ECOM establishes and identifies best practices in various industries and provides recommendations and assistance to enterprise implementation.

Compliance is an integral part of our internal control structure and it will continue to be a critical function due to stronger regulatory policies and guidelines.

We hope this report helps readers understand CalPERS day-to-day operations as well as our actions in 2009 that further transparency in all our business activities.

Sincerely,
Tony Oliveira
Chair
CalPERS Finance Committee



Chief Executive Officer's Message

December 31, 2009

Compliance is a hallmark of CalPERS. This report outlines our accomplishments and achievements in 2009 in the areas of ethics, integrity, risk management, compliance training, conflict of interest monitoring, and much more. I am pleased to report that we made great strides to ensure our staff members act with the highest level of integrity. We revised our gift policy and enhanced a process for reviewing and monitoring employee Form 700 reports. We expanded our leadership training by providing the Working Values classes for new managers and supervisors. CalPERS also implemented an "intrusion detection" system for identifying security risks associated with our information technology network.

During the past year, ECOM joined the Office of Audit Services and the Legal Office to embark on a Governance/Risk Management Initiative to take an enterprise-wide view of risk. To date, we have completed a review of our risk control functions and are engaged in specifying the nature of risk within each business line and support function.

CalPERS continues to devote resources to Investment compliance monitoring. This year, ECOM created and filled two new Compliance Area Manager positions for Real Estate and Inflation-Linked Asset Classes (ILAC), and Alternative Investment Management. We also participated in development and testing of the first phase of our automated real estate investment system, and we revised investment policies for real estate, insider trading, and consultant conflict of interest, among others. In the area of Health, we analyzed our health data transfer standards in preparation for complying with new federal regulations. We also developed a compliance presentation on health program eligibility and enrollment rules for our contracting health agencies. In Pensions, our actuarial office took steps to minimize the impact of economic changes on contracting employer rates (rate stabilization). Our member services division expanded its intranet security to mitigate risks, and added new features to the Knowledge Management System that improve customer service.

In the coming year, we will continue to seek innovative ways to ensure that we are protecting the best interests of our members and employers by actively promoting our compliance goals and educating staff about their roles and contributions to a compliant business environment.

Sincerely,
Anne Stausboll
Chief Executive Officer



Anne Stausboll
Chief Executive Officer

About CalPERS

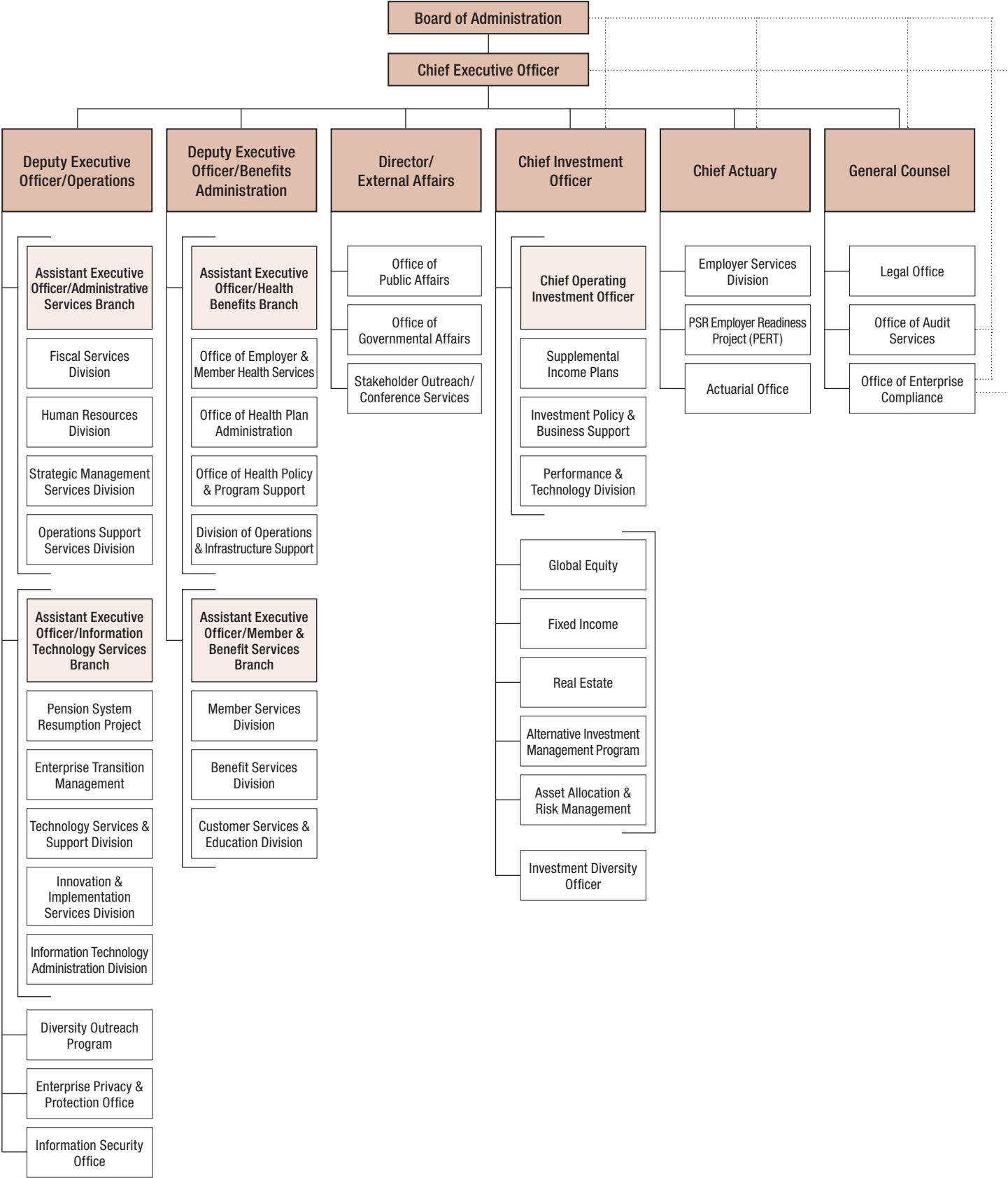
Headquartered in Sacramento, the California Public Employees' Retirement System (CalPERS) operates a portfolio valued at \$201.1 billion, as of December 30, 2009. CalPERS provides retirement benefits to over 1.6 million individuals and health benefits to over 1.3 million individuals, consisting of active and retired members from more than 3,026 State, school district, and local public agency employers. CalPERS also operates eight Regional Offices located in Walnut Creek, Glendale, Orange, Fresno, Sacramento, San Bernardino, San Diego, and San Jose.

CalPERS is led by a 13-member Board of Administration (the Board), consisting of member-elected, appointed, and ex officio members.

Key Dates in CalPERS History

1931	CalPERS was established in law.	2003	CalPERS adopted a plan to crack down on executive compensation abuses.
1932	CalPERS began administering retirement benefits for State employees.	2004	CalPERS appointed the CalPERS Chief Compliance Officer (CCO) and created an enterprise-wide compliance and monitoring program.
1939	Public agencies and classified school employees were allowed to contract with CalPERS to provide retirement benefits for their employees.	2004	CalPERS launched the new improved CalPERS On-Line Web site on March 27.
1962	CalPERS began administering health insurance benefits for State employees.	2004	CalPERS initiated the Environmental Technology Investment Program.
1967	Public agencies and classified school employees were allowed to contract with CalPERS to provide health benefits for their employees.	2004	CalPERS adopted reduced hospital network and regional health plan pricing.
1984	CalPERS initiated a corporate governance reform program.	2004	CalPERS received an AAA rating from Fitch Ratings.
1990	The Long-Term Care Act passed, allowing CalPERS to offer Long-Term Care (LTC) insurance to CalPERS members, California State Teachers' Retirement System (CalSTRS) members, and members who were eligible under the County Employees' Retirement Law of 1937.	2005	CalPERS adopted an employer rate "smoothing" policy to reduce rate volatility.
1992	Proposition 162 was approved by voters, giving the CalPERS Board absolute and exclusive authority over the administration and investment of pension funds.	2005	CalPERS completed its headquarters expansion in October.
1996	The LTC Program expanded to include all California public employees and retirees.	2005	CalPERS pension fund reached \$200 billion milestone on November 21.
1996	CalPERS launched the International Corporate Governance Program.	2007	CalPERS launched its retiree health benefit ("Other Post-Employment Benefits" or "OPEB") prefunding plan on March 1.
1997	CalPERS adopted corporate governance principles for the United Kingdom.	2007	CalPERS celebrated its 75th anniversary.
1997	CalPERS increased public disclosure of decision making.	2007	CalPERS launched myCalPERS Web site for members.
1998	CalPERS adopted U.S. corporate governance standards.	2008	CalPERS created a new Inflation-Linked Asset Class (ILAC) to invest in commodities, forestland, inflation-linked bonds, and infrastructure.
1999	CalPERS launched a corporate governance Web site, drawing worldwide interest.	2008	CalPERS launched online member education classes.
2002	CalPERS launched a financial market reform initiative with principles and an action plan to prevent future Enron-type accounting abuses.	2009	CalPERS adopted a policy on disclosure of placement agent fees.
		2009	CalPERS altered asset allocation given extraordinary market conditions, and raised private equity and cash allocation targets.
		2009	CalPERS adopted a special employer smoothing process for public agency and school employers in light of the extraordinary market downturn.
		2009	CalPERS launched CalPERSResponds.com.

CalPERS Organization Chart



Compliance at CalPERS

Compliance programs have traditionally been structured around the minimum requirements established by the United States Sentencing Commission's "Organizational Sentencing Guidelines," which are widely recognized as hallmarks of an effective compliance and ethics program. Under these guidelines (see Appendix A), an effective program is maintained to exercise due diligence to prevent and detect criminal conduct and promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Two important goals of any compliance program are to help an organization's employees, managers, and governing body to simply do a better job, and identify and prevent improper conduct.

To uphold this spirit of ethical conduct and to better protect our members' best interests, CalPERS remains committed to full and complete compliance with all applicable laws, rules, and regulations. The Board, and specifically the Board's Finance Committee, requested that the CCO role be created and directed staff to create the concept paper or framework for the creation of the Office of Enterprise Compliance (ECOM).

ECOM is working to bring increased transparency to the adequacy and integrity of CalPERS internal control systems by creating a centralized monitoring function and continually reporting the efficiency of these controls to the Finance Committee. In addition, ECOM has extended its outreach efforts to create opportunities to benchmark and identify "best practices" in various business lines and to provide assistance to our primary business lines.

This is the fifth Annual Report for ECOM and summarizes CalPERS 2009 compliance-related accomplishments and upcoming goals for 2010.

CalPERS CCO regularly reports to the Finance Committee on the progress of the compliance program and makes recommendations for improvements to the internal control systems. In 2009, the CCO presented status reports of enterprise compliance activities to the Finance Committee at each of its seven meetings. The CCO also provided the Finance Committee with updates of the Staffing Plan and quarterly and annual reports.

CalPERS compliance function is an integral part of the CalPERS internal control structure.

Under the direction of the CCO, ECOM:

- Functions as part of the business structure and decision-making process.
- Conducts employee compliance training.
- Develops compliance policies and procedures (including best practices).
- Monitors and reports on compliance-related activities for the various business lines.
- Conducts internal investigations.



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Through our focus on ethical conduct and compliance with the law, we will set an example others will want to follow.

Promoting operational
efficiency through
compliance awareness.



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Office of Enterprise Compliance

Mission Statement

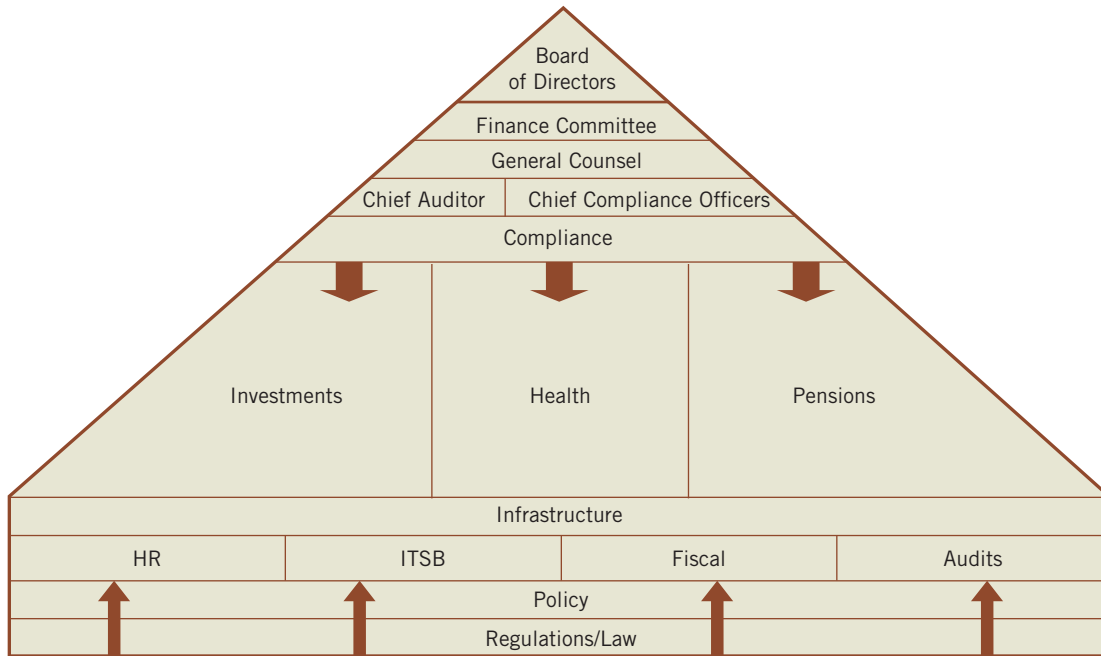
The mission of the Office of Enterprise Compliance (ECOM) is to ensure, promote and support an organizational culture which builds compliance awareness into the daily business processes for investments, health and pensions. We will accomplish this mission by monitoring CalPERS business activities, policies, and procedures, and by establishing an infrastructure that provides assurance to management that program areas comply with all applicable laws, regulations, policies, and best practices.

Compliance Program Structure

CalPERS faces an increasingly complex and challenging regulatory environment. In 2004, the CalPERS Finance Committee approved the concept paper describing the need to establish ECOM, to assist CalPERS in attaining compliance, faced with a complex and quickly changing legal and regulatory environment. ECOM was charged with the responsibility for formalizing the compliance effort at CalPERS and constructing an enterprise-wide compliance program that builds compliance awareness into daily business activities.

Under the authority and guidance of the Finance Committee Chair, Chief Executive Officer (CEO), and General Counsel, ECOM staff work with the other CalPERS program areas, assisting them to identify potential compliance issues and develop mitigation strategies, consistent with best practices. ECOM staff works closely with the Office of Audit Services (OFAS), to identify areas of potential risk. The Legal Office (LEGO) also works closely with ECOM and program staff to clarify legal requirements and assist in making sure that proposed mitigation strategies appropriately and accurately address relevant legal and regulatory requirements.

ECOM's compliance model can be illustrated as:



Organizationally, the CCO reports administratively to the General Counsel, and has direct reporting responsibility to the CEO and the Finance Committee. The CCO has access and delegated authority to discuss compliance with the Chair of the Finance Committee, the CEO, the General Counsel, and management as necessary.

Current Staffing Structure

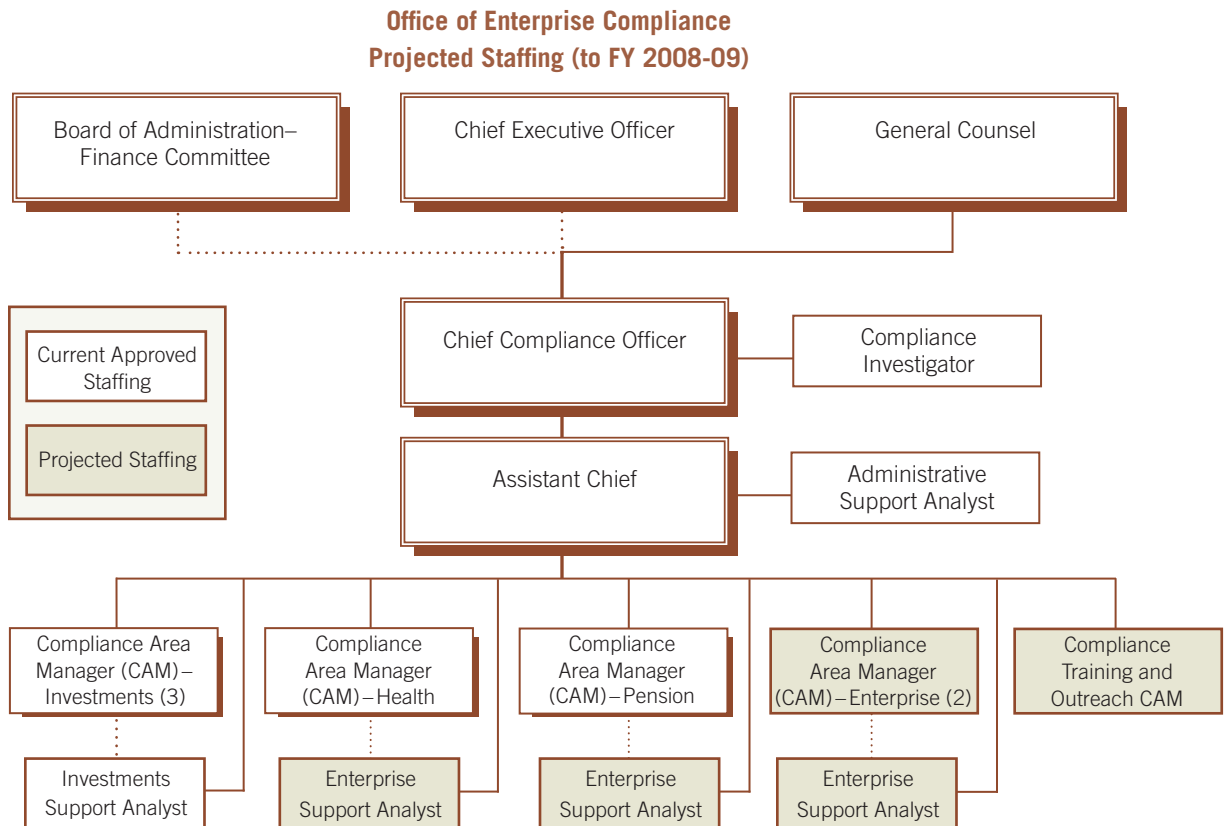
Currently, ECOM has 10 positions with an operating budget of \$1,033,259.

George Scarborough served as the Assistant Division Chief in 2009.

Specifically the succession plan calls for a Compliance Area Manager (CAM) for each of the three primary business lines (Investments, Health and Pensions). The CAMs are business specialists who develop, monitor, and report compliance events, emerging trends, and risks within CalPERS primary business lines. During 2009, all three of these positions were filled, and staff continued developing formalized compliance programs and monitoring procedures and tools in each of the three business lines. In addition to the three business CAMs projected in the succession plan, ECOM added two new Investment CAM positions in 2009, an Investment CAM over Real Estate and ILAC, and an Investment CAM over Alternative Investment Management (AIM). ECOM filled its Compliance Investigator position in 2008.

The succession plan also calls for the establishment of four analyst positions to assist and support the CAMs in research and monitoring efforts. One analyst position was established and filled in 2007, to assist the Investment CAM. ECOM also established and filled a support analyst position in 2007, to provide administrative support for compliance staff.

The current overall structure of ECOM's compliance function and proposed growth positions is illustrated in the chart below.



Five-Year Staffing Plan

At the direction of the Finance Committee Chair, the CCO created a five-year plan charting the future staffing of ECOM. Five years into its operation, ECOM is well on the path towards becoming a mature, integrated function at CalPERS. The five-year plan follows the initial outline of the Board's approved "concept paper," which outlines a basic foundation for compliance efforts. The plan includes justification for additional staffing, staff development, and a comprehensive program implementation and succession planning strategy.

Future goals contained in the ECOM staffing plan include:

- Establishing two Enterprise CAMs dedicated to monitoring and advising management on compliance issues in the Fiscal Services Division (FCSD), Operations Support Services Division

(OSSD), Human Resources Division (HRSD), Information Technology Services Branch (ITSB), and Information Security Office (ISOF), and to supporting the Governance/Risk Management Initiative (GRMI).

- Adding three analysts to assist the CAMs in research and monitoring efforts. The analysts will maintain the Compliance Resource Library, develop and make changes to the Web site resource information, provide high-level research work related to all business lines, and assist in enterprise risk assessment and reporting.
- Establishing a Compliance Education and Awareness CAM dedicated to providing training and outreach to business line staff, and developing and implementing online Computer-Based Training (CBT) programs related to compliance. In addition, the Compliance Education and Awareness CAM would be responsible for developing educational materials, a coordinated outreach strategy, and activities to better inform staff about the CalPERS Compliance Program.

The table below illustrates ECOM's projected growth. These positions will be phased in based on workload needs and justifications.

Projected Growth

Position	Recruitment Target
Enterprise CAMs (2)	FY 2010-11
Support Business Line Analysts (3)	FY 2010-11
Compliance Education and Awareness CAM	FY 2010-11

Compliance Program Management

In support of CalPERS compliance efforts, ECOM staff:

- Gathers, organizes, and analyzes compliance information.
- Develops internal and external partnerships to formulate and recommend compliance best practices to management.
- Monitors and reports results of compliance monitoring efforts to management and to the Finance Committee.
- Provides ongoing guidance to management on all matters relating to compliance.

New Initiatives

Governance/Risk Management Initiative (GRMI)

In April 2009, CalPERS embarked upon the GRMI to take a holistic view of risk, looking enterprise-wide at the existing governance and risk management structure and processes to make sure that the organization has a systematic and disciplined approach to managing risk. The Initiative has received

active support from the CalPERS Board, the Finance Committee, and executives throughout the organization, including the CCO, the Chief Auditor, and the Enterprise Privacy and Security Officer. The objectives of the GRMI are (1) to establish an enterprise-wide governance/risk management structure and strategy that incorporates the Board's business philosophy and that effectively identifies, evaluates, and manages risk in each of CalPERS primary business lines and support functions, (2) to establish an appropriate governance/risk management infrastructure to assist the Board in carrying out its oversight responsibility and to apprise the Board, Executive Staff, and management of key risks and how they are being managed going forward, (3) to ensure that the organization's strategic business goals and objectives are achieved by understanding what needs to go right to be successful, and (4) to become a risk-intelligent organization (not risk-adverse) that improves its decision-making by better understanding the consequences of its choices.

In August 2009, the Finance Committee approved a five-phased Scoping Plan with an estimated timeframe of 12 to 18 months. Phase II of the Project, review of existing enterprise risk control functions, is complete. Interviews were completed with those functions/units within the organization that either formally or informally have a role in assessing/monitoring risk.

CalPERS is embarking on Phase III of the GRMI, to identify and describe the nature of risk within each of the business lines and support functions. To further this effort, the GRMI Team administered a Risk Inventory Survey to Executive Staff, Division Chiefs, and Assistant Division Chiefs. The objective of the survey is to assess the level of understanding and awareness of risk and how it is defined across the organization. A similar survey has also been distributed to the members of the Board.

Form 700 Monitoring

In 2009, pursuant to direction from the Governor, General Counsel instructed ECOM to facilitate a review of all Form 700 documents submitted by CalPERS staff. ECOM staff developed an enhanced process for ongoing enterprise-wide reviews for all CalPERS staff who are required to file Form 700 documents. Those documents that required clarification or follow-up were forwarded to the filer's supervisor or manager. ECOM worked with each Division to address any conflicts or questions related, but not limited to, securities holdings, real estate holdings, additional sources of income received, and reported gifts.

CalPERS Intrusion Detection System (IDS)

CalPERS implemented its IDS. The automated systems collect, consolidate, correlate and report real-time information associated with the security of the CalPERS information technology network. CalPERS staff, through monitoring processes, utilize this information to determine whether or not any security-related events put CalPERS information assets at risk. The specific systems that were implemented during FY 2008/2009 include a vulnerability assessment device which provides for the automatic correlation of events, a stand-alone disaster recovery appliance which provides for automatic-failover of IDS management, and deployment of host-based IDS on most CalPERS workstations.

Key Ongoing Compliance Activities

- CalPERS conducts a bi-annual language survey, consistent with the requirements of the Dymally-Alatorre Bilingual Services Act (Government Code sections 7290-7299.8). The language survey is distributed to all staff who interact with the public in person, on the phone, or in writing. The survey reveals the total number of public contacts made in English and/or other languages for the fiscal year. The CalPERS Diversity Outreach Program (CDOP) will submit the report to the State Personnel Board (SPB) in October 2010.
- CDOP distributed the Language Identification Guide, one of the bilingual resources available from the SPB, to public contact staff. This poster assists staff in providing an equal access and level of services to limited- and non-English speaking members and the public. The poster lists 36 different languages and allows a person to point to the language he or she speaks. To further serve the individual, staff can contact an interpreter by using the Language Fluency List which contains bilingual employees fluent in 30 different languages. The Language Fluency List is accessible on the CDOP's home page on the Insider, http://insider.calpers.ca.gov/cdop/library/bilingual_language-fluency-list.pdf.
- ISOF plays an important role in furthering compliance for CalPERS. The mission of ISOF is to advance both the protection of CalPERS members' privacy and the safety of CalPERS information assets. ISOF will fulfill this mission by working closely with CalPERS program areas to incorporate member privacy and information safety into all CalPERS operations. ISOF addresses compliance for copyright law, information confidentiality, and information security incident reporting. ISOF requires all staff to complete an online security and confidentiality training course each year, at the conclusion of which staff acknowledges they understand and will abide by CalPERS Information Security and Confidentiality Policy. Completion of this form is monitored through the internal audit process.
- The Financial Integrity and State Manager's Accountability Act (Government Code sections 13400 through 13407) requires each State agency to maintain an effective system of internal accounting and administrative control, to evaluate the effectiveness of these controls on an ongoing basis, and to biennially review and prepare a report on the adequacy of the controls. OFAS began its biennial reporting cycle and completed its report by the December 31, 2009, due date.
- Operations Support Services Division (OSSD) conducts Business Continuity Planning on an annual basis. As part of this process, CalPERS maintains a detailed enterprise-wide plan to ensure critical business operations continue to function in the event of a disaster. Each Division has the responsibility to accurately describe, maintain and annually update the Division's functions. Consistent with best practices and State and Federal guidelines, the CalPERS Business Continuity Plan is reviewed annually and has Senior Management approval. The plan addresses data back-up and recovery, the performance of critical business functions, emergency communications with employees and members, and the activation of an Emergency Operations Center.
- OSSD administers and conducts the Board elections for the six elected members of the Board who represent the active and retired members of CalPERS. There is a four-year election cycle: the first year the two Member-at-Large Board member representatives are elected from the total

active and retired membership; the second year the Public Agency, State, and School Board member representatives are elected from the active membership of their respective employer groups; the third year the Retired Board member representative is elected from the retired membership; and there is no election during the fourth year. The Board is obligated under Public Employees' Retirement Law (California Government Code Title 2, Division 5, Part 3, section 20090, subdivision (g)), to supervise the election of these six members of the total 13-member Board. The Board has developed various election procedures, codified in the California Code of Regulations (CCR), Title 2, sections 554 - 554.10, to conduct the elections. Per Section 20096, CalPERS Board election results must be certified by the Secretary of State. CalPERS Board elections are notified to the membership through the Notice of Election, the *CalPERS On-Line* Web site, and various CalPERS publications.

- The U.S. Federal Sentencing Guidelines require an organization to have a system whereby the organization's employees and agents can "seek guidance" regarding potential or actual violations of law. It also has an explicit requirement for the reporting mechanism to allow for anonymous reporting. As a governmental entity, CalPERS currently meets this requirement via multiple administrative processes. First, the Bureau of State Audits administers the State of California "Whistleblower Hotline," which State employees and others can use to report illegal acts, theft, fraud, or conflicts of interest by State employees. Second, CalPERS has internal complaint processes in both OFAS and CDOP. OFAS has a Fraud, Criminal Acts and Internal Investigation Policy whereby employees can report suspected fraud. CDOP has an internal complaint process whereby employees can report alleged discrimination. Employees have additional protection against retaliation through complaint processes with the SPB, the Department of Fair Employment and Housing, and the federal Equal Employment Opportunity Commission (EEOC).
- Commencing with each legislative session, the Office of Governmental Affairs (GOVA) meets with all new Legislators and those existing Legislators and staff assigned to key policy and fiscal committees affecting CalPERS. During these "meet and greets," staff provide information outlining the economic impact of CalPERS benefits and investments in the districts the Legislators represent. These meetings help to educate the Legislature and to enhance the overall awareness of CalPERS operations and its contributions to the community at large.
- GOVA, in conjunction with the Office of Public Affairs (PAOF), continues to refine and expand the existing outreach program "California CalPERS Connects in Your Community," which is intended to educate legislators about CalPERS. CalPERS Connects differs from the standard legislative meet and greets that occur in the State Capitol in two ways. CalPERS staff from GOVA and PAOF, and volunteer representatives from labor organizations, employer groups, and retired members, participate in each visit. The visits are held at the legislator's district office instead of their office inside the Capitol. Holding the meetings at the district office helps to provide a more open forum to discuss the concerns of the Legislator's constituency and the groups in attendance. To expand education and outreach efforts inside the Capitol, GOVA partnered with PAOF to provide "CalPERS 101" briefings to Capitol staff in November 2009.

Internal Communications, Education and Training

As required in the U.S. Federal Sentencing Guidelines, ECOM's compliance program includes a training component to ensure employees are aware of their legal and ethical responsibility to be compliant with applicable laws and rules for each business line. CalPERS demonstrates a commitment to compliance by joining with business lines to communicate compliance standards and procedures to all employees, and to inform employees on compliance issues. The following training was provided in 2009:

Ethics Training

This course was developed based on recommendations in the joint report titled *Assessment of CalPERS Ethical Culture*, released by LEGO and OFAS in November 2001. To comply with the recommendations of this report and in an ongoing effort to maintain and promote an ethical culture, CalPERS General Counsel and Legal staff conducted ethics training for our Investment Office (INVO) staff, designated key staff, and Board members. Although current CalPERS ethics training exceeds the minimum requirements of the Political Reform Act, it is a best practice to make ethics awareness training broadly available to all employees. As of December 31, 2009, 544 of the 589 designated employees have completed the required ethics training. An additional 17 designated employees are new hires and are within the six-month grace period for completion of this training requirement. Designated employees who have not yet met this requirement will be given the opportunity to take this class in February and March, 2010, and their supervisors will be notified of their compliance status in regard to this requirement. Additionally, CalPERS has established online ethics training, which satisfies this requirement and provides employees with the opportunity to refresh their knowledge of the organization's ethical framework on an as-needed basis.

Enterprise Compliance Training

The U.S. Federal Sentencing Guidelines emphasize that an organization should take reasonable steps to communicate, periodically and in a practical manner, its standards, procedures, and aspects of its compliance program. ECOM's efforts to train staff on the importance of compliance are continuous and can be seen in various multimedia and physical locations. Training is available on the ECOM and LEGO Web pages, via videoconference, and on-site in Sacramento and CalPERS Regional Offices. Publications provided in the training are also available to staff upon request. It should be noted the training content and material is viewed as a "best practice" and has been provided to external agencies and associations.

2009 Working Values

The training content for the course titled "*CalPERS Working Values*" was created in response to a joint report prepared by LEGO and OFAS entitled *Assessment of CalPERS Ethical Culture*. ECOM created the course content, materials, and publications based on the report's recommendations. This year, ECOM began providing Working Values training during the Leadership Essentials and Direction for Your Emerging Role (LEADER) training for new managers and supervisors, and revised the handbook and course materials for New Employee Orientation (NEO) and LEADER

classes during 2009. Each employee who attends the Working Values course receives a copy of the employee conduct-related policy handbook, a quick-reference Gift and Ethics Wallet Card and a certificate of course completion. Attendance and completion are recorded on their individual training record.

AB 1825 Sexual Harassment Prevention Training

In 2009, HRSD delivered the 2009 Sexual Harassment Prevention (SHP) training to all managers, supervisors, and Board Members. This training fulfills the mandate set forth in California Government Code Section 12950.1, which was established by AB 1825 (Ch. 933, Stats. 2004).

CalPERS maintains a Zero Tolerance Sexual Harassment Prevention Policy to foster a work environment free of discrimination and sexual harassment. An effective way to prevent harassment and discrimination in the workplace is through awareness; therefore the CalPERS policy extends training to all employees. The policy exceeds the California Fair Employment and Housing Commission regulations, as it includes training for non-supervisory staff.

Beginning in the 2005 training year, all managers, supervisors, and Board Members were required to receive a minimum of two hours SHP training every two years. SHP training for newly appointed managers and supervisors between “Training Years” (2005, 2007, and 2009) is provided through supervisory training (LEADER). In 2009, 62 managers and supervisors completed SHP training through the LEADER course.

In 2009, CalPERS delivered SHP training enterprise-wide via CBT format in accordance to regulations. A total of 423 managers and supervisors and 2,024 non-supervisory staff completed the online training.

Information Security Awareness Training

ISOF requires that all staff complete a mandatory online training course each year, which educates them on member privacy and information security. ISOF will monitor the completion status for each staff member and remind them if they have not completed the training within the last 12 months. In 2009, ISOF developed a new online training program which is expected to launch in 2010. If a staff member does not complete the training after receiving a one-week warning, their management will be advised and they may lose access to CalPERS information systems until they complete the online training. Staff are required to sign an Information Systems Security & Confidentiality Acknowledgement (ISSCA) Form, acknowledging that they understand and agree to follow CalPERS information security policies.

ISOF's information security awareness program also includes presentations at each NEO session, an internal Web site, posters, and frequent information security tips.

New Employee Orientation

CalPERS provides a two-day NEO session that provides staff with an overview of: the State and its

responsibilities; employee benefits; employee rights and responsibilities; and an introduction to the CalPERS organization and culture. Classes are scheduled based on demand. Since July 2007, classes have been offered monthly. A total of 269 employees completed the NEO course in 2009. Beginning in July 2009, the NEO sessions were provided every other month.

New Supervisor Training

CalPERS provides a leadership development series that includes: LEADER (80 hours), Maximum Results (56 hours), and Lead By Example (56 hours). In addition, CalPERS offers a four-hour New Leader Orientation to provide essential information to managers prior to enrollment in the LEADER training. Newly appointed CalPERS managers and supervisors must complete the LEADER course to meet the requirements of Government Code section 19995.4, which mandates each newly appointed supervisor receive 80 hours of training, within 12 months of their appointment date. A total of 195 managers and supervisors participated in the Leadership Series training in 2009.

CSED Customer Service Training Program

The Customer Contact Center (CCC) and Regional Offices in the Customer Service and Education Division (CSED) are, most often, the first point of contact for members who seek assistance regarding retirement and health benefits. CSED provides a training curriculum to employees which is broad and includes courses specific to the varied lines of business within the program areas. New employees of CSED undergo a six-week training overview of general member benefit information, and applicable laws, rules and regulations. After the six-week training course, CCC phone agents and Regional Office staff are separated and each group participates in additional training. The Regional Office staff begin educational focused training, and the CCC phone agents go to the Training Academy where they begin to answer live telephone calls with the assistance of a mentor.

ECOM Web site on the Insider

ECOM utilizes its division Web site to raise compliance awareness and facilitate education. ECOM's Web site also hosts a calendar of compliance-related events (e.g. training and conferences), frequently asked questions, articles on best practices in compliance, and the 2007 ECOM survey results. In 2008, ECOM developed a series of Compliance "Tips" that were published on its Web site and promoted via the "News" box on the *Insider* homepage.

Mandatory Training Matrix

HRSD developed a chart that lists mandatory employee training requirements, along with relevant laws, rules, processes and assigned ownership (see Appendix B). HRSD's Web site on the *CalPERS Insider* provides links to applicable employee training policies.

HRSD reports monthly on the status of several mandatory training classes. Those classes not tracked by HRSD are administered and reported on by the program area owner as indicated on the Mandatory Training Matrix.

External Communications

Council of Compliance Officers

In 2009, CCO Sherry Johnstone and CalPERS hosted quarterly teleconferences for the Council of Compliance Officers. The teleconferences provided a valuable forum for compliance professionals in pension systems throughout the United States and internationally to exchange information about their compliance-related experiences and activities.

Public Pension Financial Forum

In October 2009, CCO Sherry Johnstone initiated and coordinated the development of a compliance track at the Public Pension Financial Forum's (P2F2) 6th Annual Conference in Sacramento, California. The P2F2 Conference assists public pension leaders in administering public pension funds, by providing an opportunity for professional growth, education, and networking. Several CalPERS staff shared their expertise at the conference: Alan Milligan, a CalPERS actuary, presented on Actuarial Challenges; Adeeb Alzanon, Staff Auditor, CalPERS Office of Audit Services, presented on Public Employer Contract Compliance Reviews; and Dan Kiefer, CalPERS Opportunistic Portfolio Manager, led an International Securities Lending Risk panel. P2F2 participants also received a welcome tour of CalPERS from CEO Anne Stausboll and PAOF's Bob Burton.

Other conference highlights included:

- IRS Roundtable on Voluntary Compliance led by Mary Beth Braitman (IceMiller LLP) and Roxanne Story (San Diego City Employees' Retirement System).
- Personal Trading Policy & Implementing an Automated Platform, presented by Nancy Ross (Ontario Municipal Employees Retirement System).
- Corporate Governance Divestment, presented by Aeisha Mastagni (CalSTRS).
- A Regulatory Panel, led by Ann Oglanlian (ReGroup LLC) and David Lui (FAF Advisors).
- A Compliance Officers' Toolkit, presented by Ann Oglanlian.

“Achieving Success
in Compliance”

A year of
accomplishments
in communication,
cooperation, and
best practice.



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The Year In Review

Office of Enterprise Compliance Accomplishments

In 2009, ECOM and CalPERS can look back on a year of significant growth and success, despite multiple challenges. CalPERS has taken several concrete steps to ensure that its staff act with the highest level of integrity, including revising its gift policy and enhancing a process to review the Form 700 reports submitted by CalPERS staff.

The addition of two new Compliance Area Managers, an Investment CAM over Real Estate and ILAC, and an Investment CAM over AIM, allows CalPERS to take an even more active role in managing compliance risk as we move forward.

ECOM continued outreach and industry leadership with other pension system compliance officers and coordinated a successful compliance track at the P2F2 Conference in Sacramento. Several CalPERS staff spoke at the event, which included a broad range of nationally and internationally recognized compliance experts.

ECOM's Board-approved Charter states "The primary mission of the Office is to increase assurances that CalPERS assets are safeguarded, that operating efficiency is promoted and that compliance is maintained with prescribed laws and Board and management policies, and includes responsibility for investigating suspected fraudulent activities, and escalating and reporting, as appropriate, to the Finance Committee, CEO and Executive staff."

In 2009, consistent with ECOM's charter and mission statement, ECOM has responded to inquiries of improper conduct and fraud and has established procedures and training materials.

At the close of 2009, the Enterprise Compliance Program is showing increasing maturity. At the five-year mark, the program has a staff of ten full-time personnel performing compliance and monitoring activities of three key business lines and providing training, education and outreach to all CalPERS staff, new employees and new supervisors. We are contributing toward "Working Values" at CalPERS and continue to demonstrate transparency, integrity, and dedication to protecting system assets and members' benefits and investments.

Sherry Johnstone
Chief Compliance Officer

Investments Business Line Compliance Accomplishments

Compliance Systems and Documentation

ECOM

- ECOM created and filled two new CAM positions – an Investment CAM over Real Estate and ILAC, and an Investment CAM over AIM.
- ECOM completed the Investment CAM procedures manual.
- ECOM monitored and conducted periodic reviews of proxy voting records and trends.

INVO

- In September 2009, INVO completed the development and testing of Phase One of the Automated Real Estate Investment System (AREIS) platform and commenced parallel operations with existing legacy systems.
- INVO received Investment Committee approval of the following policies as part of the Policy Review Project:
 - Real Estate – Approved June 2009
 - Real Estate Appraisal and Valuation - Approved August 2009
 - Real Estate Accounting - Approved August 2009
 - Insider Trading - Approved February 2009
 - Consultant Conflict of Interest - Approved February 2009
 - Corporate Governance Director Nominations - Approved February 2009
 - Representation on Corporate Boards of Directors - Approved February 2009
 - Economically Targeted Investment Program - Approved February 2009
- INVO finished updating the AIM Program procedures related to management of risk in the portfolio, selection of new investment partnerships, monitoring of existing partnerships, review and validation of the valuation of investments, and ensuring compliance with CalPERS investment policies and strategies.
- INVO CIO launched the “One Voice” Project to develop a more efficient and effective manner to provide the Board with staff updates relating to investment operations and programs.
- INVO Risk staff provided support to the newly developed Risk Ad Hoc Committee.
- INVO contracted with a consulting firm to examine their contracting and procurement processes and to recommend improvements and additional controls.
- INVO Policy and Business Support Division (PBSD), FCSD and OSSD worked together to improve the payment process for contracts, agreements and purchase orders.
- INVO staff across all asset classes updated or developed procedures for tracking and processing wire requests from partners.
- INVO Risk developed procedures to monitor and report derivative usage with ECOM staff.
- INVO PBSD instituted a user mailbox for receiving, reviewing and distributing investment proposals to the different asset classes for review and consideration.
- The Investment Committee approved a revised Real Estate Delegated Authority, which was implemented by staff in June 2009, concurrent with the new Real Estate policy.
- The Real Estate Unit completed hiring and recruitment goals identified in the Real Estate Strategic Plan, in February 2009, and became fully staffed.

- A new Real Estate Staff Internal Procedure Manual mandated as part of the new Real Estate policy was 70% completed.
- INVO in consultation with LEGO, conducted a review of the Supplemental Income 457 Plan document.
- The Member Home Loan Program implemented online member data security with Program Manager.
- INVO introduced a custom employer Web site for Supplemental Income 457 Plan updates, procedures and to request forms for employees.
- INVO established new financial reporting for Supplemental Income Plans in the Comprehensive Annual Financial Report (CAFR).
- INVO implemented the Worker, Retiree, and Employer Recovery Act of 2008 (WRER) for the retired Supplemental Income Plan participants.
- INVO Operations, Performance and Technology Division (OPTD) developed a new process and documented the procedure for Investment staff to use when replacing or modifying an existing or creating a new portfolio's existing benchmark. Internal controls are set to prevent any replacement or modification of a benchmark without a review and agreement from the General Pension Consultant and the written authorization of the CalPERS Chief Operating Investment Officer (COIO).
- Supplemental Income Program developed and implemented a new agency orientation training program and New Employer Welcome kit.

Ongoing Compliance and Monitoring

INVO

- INVO created an Internal Controls position within OPTD to manage INVO's compliance with delegated investment authorities approved by the Board.
- INVO created a position dedicated to developing processes and tracking systems to monitor compliance with the Disclosure of Placement Agent Fees Policy.
- INVO developed an Audit Liaison position for INVO dedicated to developing processes, tracking systems, and reports that ensure resolution of audit findings across asset classes.
- INVO Fixed Income placed all external collateral managers on the BlackRock Investment Management System.
- INVO Fixed Income continued to move all of its new programs onto the BlackRock System.
- INVO Internal Equity centralized currency through the trading desk to provide more additional oversight of the process.
- INVO Asset Allocation/Risk Management Unit developed a new quarterly Risk Report for the Board to report on volatility, leverage, currency and counterparty risks. This report will include new measures of industry concentration and Total Fund liquidity.

Training and Outreach

INVO

- INVO partnered with LEGO in September 2009, to conduct required Fiduciary Training for all staff at the level of Investment Officer III and above.

- INVO and the AREIS Project launched an extensive training program for CalPERS staff, in July.
- INVO provided staff training on providing participant education versus advice regarding the selection of investment alternatives.
- INVO provided staff training on policy and procedures for unforeseeable emergency requests and special catch up provision.
- INVO updated the CalPERS employer and member Web Site.
- INVO, in consultation with LEGO, revised all Supplemental Income Plans educational materials and forms.

Health Business Line Compliance Accomplishments

Compliance Systems and Documentation

ECOM

- ECOM completed development of a comprehensive desk manual for the Health CAM position.

Health Benefits Branch (HBB)

- The Division of Operations and Infrastructure Support (DOIS), Administrative Services Unit, working with OFAS and the Office of Employer and Member Health Services (EMHS), implemented procedures to track and report audit finding statuses ensuring adequate correction and resolution of public agency audit findings.
- DOIS, Health Insurance Portability and Accountability Act (HIPAA) Administration, in partnership with OSSD, accomplished a full security lock-down of the HBB to fully protect HIPAA materials.
- DOIS, HIPAA Administration, initiated analysis of the current health data transfer standards (ANSI 4010) with the upcoming, federally-mandated upgrade to ANSI 5010 standards to determine the impact to CalPERS and to develop an implementation process.
- DOIS, HIPAA Administration, completed Phase One of the update to the HIPAA policies and procedures and CalPERS HIPAA portal re-design.
- DOIS, HIPAA Administration, updated the CalPERS Security Incident Breach Report Form to include: reasons for delays in notification to CalPERS of security breaches; confirmation of member notification of breach; and mitigating actions.
- Office of Health Policy and Program Support (HPPS) documented the self-funded rate development process.
- HPPS documented policies and procedures for the Medicare Part D Retiree Drug Subsidy requirements, and cross-trained staff to maintain compliance.
- HPPS established protocols for sending and receiving electronic data, consistent with information security policy.
- HPPS established incoming and outgoing data files logs.
- The Office of Health Plan Administration (OHPA), Contract Management, in collaboration with the Pension System Resumption (PSR) team, identified and addressed design issues pertaining to PSR implementation and security measures necessary for transmission of personal health data.
- OHPA, Contract Management, in partnership with ECOM, continued to update a Health Compliance Manual which includes procedures for monitoring and reporting health compliance.
- OHPA, Contract Management, in partnership with ECOM, continued to update and prioritize processes that require compliance monitoring using the risk assessment and a record of Division Key Processes.
- OHPA, Self-Funded Unit, collaborated with the PSR team to identify and address issues ensuring accurate medical and pharmacy claim file transition and processing.
- OHPA, LTC Program staff developed internal policies and procedures and duty statements for all positions and tasks within the LTC Program.
- OHPA, LTC Program developed a more effective fraud management process addressing the potential for program-wide fraud.

- OHPA, LTC Program updated and refined the Program's Independent Provider Protocol and Guidelines.
- OHPA, LTC Program updated and refined the Program's Claims Protocol and Guidelines.
- OHPA, Fiscal Management developed procedures to accommodate legislative requirements.

Ongoing Compliance and Monitoring:

HBB

- DOIS, HIPAA Administration, in compliance with current Federal Regulations, tracked and monitored security incident breach reports from CalPERS business associates.
- EMHS worked with ITSB to enhance built-in system controls.
- EMHS continued to work with FCSD's Centralized Collection Unit (CCU) to pro-actively monitor and initiate collection actions with delinquent public agencies.
- EMHS developed, revised and expanded existing procedures to include guidance on:
 - Developing and entering contribution formula data into the required systems.
 - Processing of all available optional resolutions.
 - Annual mass change processes.
 - Defined roles and responsibilities.
 - Secondary peer and managerial review and documentation requirements.
- EMHS staff established and implemented procedures to perform peer reviews for all public agency resolutions, and other assignments as necessary.
- HPPS reviewed contract deliverables for completeness, accuracy and compliance requirements.
- OHPA, Contract Management ensured Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) contracts protect member Protected Health Information (PHI) and comply with HIPAA.
- OHPA, Contract Management amended HMO contracts to include language to reflect new requirements for same-sex marriage.
- OHPA, Contract Management reviewed contract deliverables for completeness, accuracy, and compliance with requirements.
- OHPA, Contract Management worked with LEGO and HBB to develop procedures to comply with the administrative hearing process for member health appeals.
- OHPA, Health Plan Acquisition and Contracting, in compliance with the current Medco Contract, coordinated efforts with consultant firm to conduct the annual Pharmacy Benefits Manager (PBM) Market Check for 2009. As a result, the pricing improvements offered would deliver gross savings estimated at \$17 million over an 18-month period (July 1, 2009 through December 31, 2010).
- OHPA, LTC Program amended the Administrative Services Agreement between CalPERS and United Health Actuarial Services, Inc., the Program's actuarial consultant, for two 12-month periods.
- OHPA, LTC Program amended the Administrative Services Agreement between CalPERS and the Long-Term Care Group, Inc. (LTCG), the Program's administrator, for two 12-month periods.
- OHPA, LTC Program developed a database to electronically store member correspondence templates.
- OHPA, Fiscal Management reviewed and processed medical and pharmacy claim schedule transactions from vendors to the State Controller's Office (SCO) to ensure accurate financial system appropriations from the Health Care Fund Account (\$1.3 billion annually).

- OHPA, Fiscal Management reviewed and validated administrative charges from medical and pharmacy vendors (\$36 million annually).
- OHPA, Fiscal Management monitored and validated cash flow, reserves, trial balance, and investments.
- OHPA, Fiscal Management provided oversight and analysis on administrative fee increases due to enrollment discrepancies.
- OHPA, Fiscal Management monitored and reconciled health premium payments from the non-centralized agencies.
- OHPA, Fiscal Management researched and collected unclaimed properties from SCO for the Health Care Fund.
- OHPA, Fiscal Management monitored financial issues as specified in the Medco PBM contract, including pharmacy rebate payments and performance guarantee payments.

Training and Outreach:

HBB

- DOIS, HIPAA Administration provided over 15 division-specific training sessions to staff throughout the enterprise.
- DOIS, HIPAA Administration presented HIPAA training in NEO and LEADER sessions.
- DOIS, HIPAA Administration established and maintains the HIPAA PowerPoint presentation for LEADER, NEO, and all-staff training.
- DOIS, HIPAA Administration established a web-based HIPAA training module that will be loaded into the Learning Management System (LMS).
- EMHS developed and delivered a compliance presentation on the CalPERS Health Program Eligibility and Enrollment Business Rules to contracting agency Health Benefit Officers (HBOs).
- OHPA, LTC Program staff engaged in program development specifically related to overall program knowledge, fiscal management, appeal and fraud management, claims management, underwriting protocol and legislative analysis.
- OHPA, Fiscal Management maintained and updated the Unit's procedure manuals.

Legislation and Regulations:

HBB

- DOIS, in collaboration with EMHS, successfully mailed letters to over 17,000 members informing them of the modified COBRA entitlements to reduce the cost of continuation of health care for specified individuals who lost group health care coverage due to an involuntary loss of employment, consistent with the American Recovery and Reinvestment Act.
- OHPA, Contract Management continued to identify applicable laws, rules, regulations, and policies that apply to the Health Business Line, and update the Health Regulatory Matrix and Governance Framework, as appropriate.
- OHPA, Health Plan Acquisition and Contracting identified applicable laws, rules, regulations, and policies that apply to the Health Plan Acquisition and Contracts Unit.
- OHPA, Fiscal Management identified applicable laws, rules, regulations, and policies that apply to the Self-Funded Fiscal Management Unit.

Pension Business Line Compliance Accomplishments

Compliance Systems and Documentation

ECOM

- ECOM monitored and assisted with ongoing updates to the Member and Benefit Services Branch (MBSB) Delegation of Authority and Decision-Making Guide.

Actuarial and Employer Services Branch (AESB)

- The Actuarial Office (ACTO) revised and developed approximately 60 policies and procedures.
- The Employer Services Division (ERSD) collaborated with SCO regarding payroll reporting for mandated furloughs for State employees to comply with Governor's Executive Orders S-16-08 and S-13-09.
- ERSD completed documentation of more than 40 policies and procedures.

MBSB

- MBSB implemented a new multi-phase branch plan to improve the process for developing and documenting Retirement Program Directives (policies).
- MBSB began a periodic review of current Retirement Program Directives for possible changes and updates.
- The Benefit Services Division (BNSD) modified systems, output and processes to maintain confidentiality of member Social Security Numbers (SSNs) as a result of the CalPERS Social Security Number Masking Project.
- BNSD implemented an automated process to identify delinquent non-custodial payers and exchange information with the Department of Child Support Services.
- The Member Services Division (MBSD) completed adjustments for 572 California State University sabbatical leave of absence cases to reflect a recent CalPERS Precedential Decision.
- MBSB continued to participate in the design and testing of new automation systems to ensure compliance with laws, rules and regulations.
- CSED partnered with ERSD to implement a new Knowledge Management System (my I Info) with more robust search and update features which will improve staff's ability to access up to date information.
- MBSD implemented an intranet security Web page to mitigate risks and provide links to the critical ISOF procedures and the MBSD Breach of Security Policy. This information is shared with BNSD through a link from the BNSD home page.
- MBSD relocated printers and faxes that produce overnight batches to more centralized, less visible work spaces to improve information security.
- MBSD replaced stock envelopes with higher security mailing envelopes, providing greater protection of member information.
- MBSD obtained new high performance mulching shredders to ensure proper disposal of confidential documents and promote information security.

Ongoing Compliance and Monitoring

AESB

- ACTO had the Judges' Retirement System (JRS), Judges' Retirement System II (JRS II), Legislators' Retirement System (LRS) and 1959 survivor valuations reviewed by an independent consulting firm, and the results of the reviews were presented to the Board at the December 2008 Benefit and Program Administration Committee meeting.
- ACTO continued to adhere to and monitor the rate stabilization and other policies established by the Board and intended to minimize the impact of economic changes on the employer rates, while continuing to meet funding obligations. The Board approved modification to the rate stabilization plan for the next three years.
- The CalPERS Constituent Relations Office (CORE) expanded the California Employers' Retiree Benefit Trust (CERBT) fund. Cumulative employer contributions now exceed \$1 billion. The number of participating employers grew to 196, a year over year growth of 139 percent.
- The ERSD Policy, Procedure and Compliance Unit continued to coordinate improved documentation of policies and procedures, regulations, legislative analysis and implementation, resolution of internal and external audits, information security and other compliance-related duties.
- ERSD continued to evaluate the quality of information provided by the Employer Contact Center (ERCC) to its customers by utilizing internal escalation, the Quality Assurance process and the Contact Center Employer Survey.
- ERSD continued to work with ISOF to ensure compliance and awareness of CalPERS Information Security Practices.
- ERSD improved employer compliance through monitoring over 50 Employer Reviews during Fiscal Year (FY) 2008/09. As a result of continued monitoring and closing, 60 Employers became compliant with more than 275 findings.¹
- ERSD administered the agreements between the Social Security Administration and CalPERS State and contracting agencies.

MBSB

- MBSB continued to coordinate improved documentation of policies and procedures, regulations, legislative analysis and implementation, resolution of internal and external audits, information security, and other compliance-related duties.
- MBSB continued to work with ISOF, ITSB and other data owners to review, educate and obtain appropriate sign-offs prior to releasing any CalPERS confidential and/or sensitive information to external entities.
- BNSD enhanced procedures related to the quality assurance program for disability retirement.
- BNSD developed updated procedures, process change guides, training course outlines and procedure storage infrastructure for the retirement programs and monthly roll processing.
- CSED continued to administer its existing Quality Assurance Program with improvements to member verification processes and accuracy requirements. These improvements will help

¹Unlike other figures in this report, these numbers are based on a fiscal year calendar.

ensure compliance with legal, policy and procedural requirements, including protecting member information security.

- CSED continued to assess security breach risks, prioritizing risks, developing mitigation strategies, and developing and enhancing staff procedures.
- CSED implemented faxing guidelines to help ensure information security.
- The MBSD Security Task Force assessed security breach risks and developed an approach for on-going management of Division security. The Task Force prioritized risks, recommended mitigation strategies to management, and developed procedures for staff.
- MBSD continued to work with ISOF and ITSB to ensure compliance and awareness of CalPERS Information Security Practices.

Training and Outreach

AESB

- All 19 actuaries in ACTO participated in webinars, conferences, training and/or seminars necessary to maintain their professional accreditations.
- ERSD continued to send email reminders to staff to increase compliance awareness on such topics as Information Security, Ethics Training, policy and procedure review dates, and send individual reminders to managers on topics including probationary and annual performance review dates and emergency contact information updates.
- ERSD continued utilizing the CalPERS Knowledge Management System (my I Info) to provide Division staff with on-demand access to procedures and guidelines.
- ERSD, in collaboration with BNSD, MBSD, ACTO, OSSD and PAOF, coordinated, published and distributed the 2008 State Handbook to provide employers with accurate, timely and consistent procedures.
- ERSD Training Unit provided over 1,172 hours of job and/or Division-specific training to staff.
- ERSD educated more than 500 employer representatives from 224 site visits to State, school and public agency employers.
- ERSD, in coordination with MBSD, BNSD, EMHS, PERT, FCSD and with assistance from PAOF and OSSD issued over 20 Circular Letters and sent 60 Employer eBulletins by mass mail advising employers of policy or procedural changes and/or information relating to retirement, benefits and related issues.
- ERSD continued to implement an enhanced Employer Training Strategy to reduce the number of errors submitted by employers and improve the accuracy of members' benefits. As part of this effort, ERSD developed and published 31 online classes that can be accessed by employers via the CalPERS Education Center (CEC) to provide employers with the tools, resources and training they need to effectively do business with CalPERS.
- ERSD managed the content and formatting of information gathered from AESB, MBSB, HBB, INVO, with assistance from PAOF and OSSD to distribute over 30,000 copies of timely, relevant, and educational materials through the Employer News publication.

MBSB

- MBSB provided Retirement Program Directive Process Training for 150 employees.
- MBSB continued ongoing job skills training for staff.
 - MBSD Internal Training Unit provided over 500 hours of job and/or Division-specific training to staff.
 - BNSD provided approximately 133 hours of job skills training to each employee.
- MBSB participated in Retirement Planning Fairs and the Employer Forum to educate members and employers on service credit purchases, retirement estimates and death benefits.
- BNSD provided training to staff, employers and other external partners on retirement, working after retirement, reinstatement from retirement, reciprocity, and the disability retirement process requirements.
- BNSD improved information to members by revising retirement publications which ensures compliance with system disclosure policy.
- CSED continued to enhance, maintain and deliver a broad training curriculum and online knowledge resource databases for staff delivering services to our members and participants.
- CSED continued to offer an extensive in-house training program. The program delivers broad pension, health and systems training to new hires and existing staff. Working in conjunction with the Division's quality assurance and Internal Agent Assistance programs enables staff, from their first inquiry, to successfully deliver services, education, and information, consistently and accurately, with a high level of information security awareness and diligence.
- CSED continued outreach efforts, working with internal and external partners to offer 20 Retirement Fairs in 17 cities, pursuant to Government Code section 20138(b). Classroom sizes were increased to accommodate growing attendance. Over 8,300 members attended the Fairs in 2009, with over 80 percent reporting first time attendance.
- MBSD's Judges' and Legislators' Retirement Systems (JLRS) revised the Judges' (I/II) member booklets to provide clarification of law and/or policy changes.
- MBSD enhanced the Service Credit Foundation Training Program offering Division staff additional training opportunities.
- MBSD/JLRS staff attended four separate customer outreach events to improve judges' understanding of general and specific retirement information, pursuant to Government Code section 20138(b).

Legislation and Regulations

AESB

- ACTO implemented the provisions of SB 1123 (Chap. 371, Stats. 2008), which required participating public employers to have an actuary present at meetings where changes to their retirement plans are considered for adoption.
- ERSD continued to review and analyze areas of the law that are ambiguous, and determine a plan for addressing issues requiring legislative action or changes through the regulatory process.
- ERSD implemented SB 14 (Chap. 355, Stats. 2007), which provides "optional" membership rights to members of the California National Guard who do not qualify for CalPERS.

- ERSD implemented SB 1496 (Chap. 408, Stats. 2008), which clarifies criteria allowing the Department of Personnel Administration (DPA) to limit eligibility of excluded and exempt State employees meeting the statutory definition of peace officer for membership in the CalPERS State Peace Officer/Firefighter classification.
- ERSD implemented SB 1123 (Chap 371, Stats. 2008), which updates the public notice requirements for agencies prior to making changes to their employee benefits.
- ERSD implemented AB 399 (Chap. 240, Stats. 2009) to ensure that a furloughed state employee receives the same amount of service credit he/she would have received absent the furloughs as intended by the Administration.
- ERSD implemented SB 75 (Chap. 342, Stats. 2009), which requires that CalPERS members who are employed by a trial court and are subject to mandatory furloughs during the FY 2009-10 be credited with the same retirement service credit and compensation earnable had the employee not been subject to mandatory furloughs.

MBSB

- BNSD submitted a legislative proposal to expand the statute of limitations to 10 years for fraud due to unreported payee deaths or unreported marriage of an entitled child. This proposal was accepted by the Board, and was included in AB 966 (Chap. 130, Stats. 2009).
- BNSD submitted a legislative proposal in 2009, which allows CalPERS to distribute the accumulated contributions of inactive members who have attained age 70. This avoids the potential consequence of a member incurring a penalty from the Internal Revenue Service, if funds are not distributed by age 70 ½ as required by federal minimum distribution rules. This proposal was accepted by the Board, and was included in AB 399 (Chap. 240, Stats. 2009).
- BNSD implemented AB 2023 (Chap. 370, Stats. 2008), which requires the granting of disability retirement benefits to public employees in California to be based solely on competent medical opinion, and expressly prohibits personnel, disciplinary, or other ancillary considerations.
- MBSD implemented AB 2838 (Chap. 470, Stats. 2008), which allows a member who returns to work after an uncompensated leave of absence for a serious illness to purchase service credit for that absence.
- MBSD/JLRS implemented SB 608 (Chap. 1, Stats. 2008), which provides a new pre-retirement death benefit to members of the Judges' Retirement System.
- MBSD/JLRS implemented AB 545 (Chap. 625, Stats. 2008), which added a military leave provision for Judges' Retirement System II members, permitting a judge to receive service credit for the time during which he or she was absent on military leave.
- MBSD/JLRS began implementation of SB 13 (Chap. 22, Stats. 2009) and AB 399 (Chap. 240, Stats. 2009), by working with the Administrative Office of the Courts and SCO to implement the Judges' Voluntary Salary Waiver (VSW) program, a one-day-per-month voluntary furlough program for judges.

Enterprise Business Line Compliance Accomplishments

Compliance Systems and Documentation

- CalPERS complied with Governor's Orders S-16-08 and S-13-09, regarding mandatory furloughs. This resulted in a 15% decrease in staff availability throughout the CalPERS Enterprise.

ECOM

- ECOM developed enhanced procedures to track, review and follow-up on Form 700 reports submitted by CalPERS staff and business partners.

Enterprise Privacy and Security Office (EPSO)

- The EPSO Risk Assessment and Management Program (RAMP) completed information security risk assessments for the following: CSED, HRSD, OSSD, and SMSD.
- EPSO improved the Inquisite survey tool used to conduct information security risk assessments.
- EPSO completed an enhanced security awareness CBT program that is integrated with the new CalPERS Learning Management System (LMS). Integration with LMS will provide greater compliance control to ensure that all employees have taken the required security awareness training.
- EPSO worked with ITSB to install Guardium in a limited production environment. Guardium is used to continuously monitor access to high-value databases, assuring the integrity of trusted information. Guardium can be used to meet the requirement of nonrepudiation. Nonrepudiation is a way to guarantee that there is a record of all database changes.
- EPSO worked with ITSB to upgrade the CalPERS Internet monitoring tool from Surf Control to Websense. The purpose of Internet monitoring is to ensure compliance with the CalPERS Internet policy and to protect CalPERS system assets from malicious Internet events.
- EPSO worked with ITSB to implement a requirement that all BlackBerries be password protected. This protective measure was to ensure compliance with the CalPERS Information Security "Portable Computing Devices" practice and to reduce the risks associated with the accidental loss of a BlackBerry.
- EPSO verified and updated the data classification of information assets to remain in compliance with state policy.
- EPSO completed the agency risk management and privacy program compliance certification as required by state policy.
- EPSO certified that CalPERS has identified and documented the appropriate practices to ensure the integrity and security of agency information assets that include prior agency ISOF approval of proposals to use desktop or laptop computers to maintain or access files containing confidential or sensitive data before implementation.
- EPSO certified that appropriate physical, technical, and administrative controls are in place at CalPERS to support proper access to agency information assets that include business and security requirements to prevent and detect unauthorized access.

- EPSO certified that there are security practices throughout the System Development Life Cycle for the integrity and security of information assets that include use of secure coding standards, and separation of development and testing functions.
- EPSO certified and maintained an Incident Management Program that provided timely reporting, investigation, response, and recovery from incidents; and, when required, notification to individuals and other authorities.

OFAS

- OFAS implemented revised International Standards for the Professional Practice of Internal Auditing. California Government Code section 13886.5 requires CalPERS internal auditors to conduct internal audit activity under the standards prescribed by the Institute of Internal Auditors (IIA). The IIA released the International Professional Practices Framework (IPPF) with newly revised standards effective January 1, 2009. As of the effective date, OFAS was fully compliant with the new requirements. OFAS implemented Standard 2210.A2, which requires internal auditors to consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.
- OFAS assisted management in fulfilling its responsibilities under Statements of Auditing Standards (SAS) 104 through 111, particularly in the area of identifying and documenting internal controls over financial reporting by following the standards set forth by the Auditing Standards Board of the American Institute of Certified Public Accountants.
- OFAS provided advice to CalPERS management regarding compliance with Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, which sets forth financial statement disclosure requirements for governments accounting for retiree health insurance and other post-employment benefits.

Administrative Services Branch (ASB)

- FCSD established the CalPERS Financial Reporting Committee to enhance the narratives included in the CAFR.
- HRSD, in partnership with ETM, launched the new CalPERS LMS that will be used to track and monitor all employee training. In addition, the LMS was used to deploy mandatory SHP Training to all CalPERS employees to ensure compliance with AB1825 (Chap. 933, Stats. 2004) in 2009.
- HRSD initiated a project to document all Human Resources (HR) policies and procedures using the enterprise standard InfoMapping format.
- HRSD deployed the revamped HR Web site aimed at making policies and procedures more accessible to employees.
- HRSD developed and implemented mandatory new employee training for HR employees (HR 101) to ensure that all employees understand confidentiality and security requirements of working in HR.
- OSSD modified mailroom procedures for mailings containing member information to maintain confidentiality of SSNs.
- OSSD contracted for onsite certified destruction services and placed locked receptacles in all Divisions to prevent breaches of confidential information.

- OSSD implemented procedures for auditing employee building access badges on a quarterly basis to ensure that only authorized staff have access to the building.
- OSSD developed policies and procedures for requesting, establishing, modifying, terminating and controlling temporary building access badges.
- OSSD developed procedures to control properties transferred in and out of the offsite warehouse.
- SMSD established the Enterprise Workload Management Committee. The Committee is designed to manage a governance process promoting enterprise perspective on workload impact issues.

Diversity Office

- The CalPERS Business Connection (CBC) collaborated with OSSD to develop a Disabled Veteran Business Enterprise (DVBE) Incentive Program in accordance with SB 115 (Ch. 451, Stats. 2005).
- CBC developed and conducted a web-based survey administered to WeBuy users and collaborated with OSSD, IT and PAOF to identify and develop WeBuy system enhancements to support Small Business (SB)/DVBE goals.
- CBC conducted a study and completed a report on SB and DVBE program best-practices for similar California State agencies.
- CBC developed procedures to comply with applicable reporting mandates.
- CDOP provided support to OSSD, INVO, other Divisions and vendors relating to the passage and impact of AB4X 21 (Chap. 19, Stats. 2009, 4th Ex Sess), which eliminated the DVBE Good Faith Effort.
- CDOP completed the Bilingual Implementation Improvement Plan. CalPERS as of 2008, has certified 11 bilingual employees who are fluent in 20 languages.
- CDOP published *The CalPERS Commitment to Diversity: A Report to Assembly Budget Subcommittee 2007-2008*, which included information on diversity in Investments, CDOP's internal activities, and External Affairs.
- CDOP established the Senior Management Working Group on Diversity, conducted three quarterly meetings and created a charter and mission statement.
- CDOP distributed its publication, *Workforce, Workplace, Marketplace - Building Diversity, Strengthening Relationships: An Employee Handbook*, to all staff, supervisors, and managers.

Office of External Affairs

- CalPERS established an Enterprise-wide procedure to ensure that any sensitive data used for mailing of publications or other materials to members is handled following best practices for privacy and security.
- GOVA resolved 156 constituent inquiries on behalf of the Governor's Office and members of the Legislature.
- GOVA developed collection procedures regarding legislative mandated reports for the entire CalPERS enterprise.
- PAOF and ITSB followed security best practices and applied security enhancements on the myCalPERS Web site, by requiring users to re-enter their password before changing their personal profile information (demographic data and account access information).

ITSB

- ITSB implemented a Security Vulnerability Monitoring process that enhances the security of the CalPERS network.
- ITSB completed the major phases of a network redesign effort to meet CalPERS increasing security needs while eliminating single points of system failure. The new design significantly enhances system availability and the online services provided to our members and business partners.
- ITSB, to ensure data owner approvals were obtained when appropriate, deployed a new user access request system, which automated some of the user request workflow. It also allows ITSB to be more agile in service delivery of user access requests and approvals.

Ongoing Compliance and Monitoring

ECOM

- ECOM conducted quarterly Council of Compliance Officer conference calls.
- ECOM coordinated and managed the compliance track at the 2009 P2F2 Annual Conference.

EPSO

- EPSO conducted its yearly classification of all CalPERS electronic information assets to verify they all have designated owners.

OFAS

- OFAS completed 58 Public Agency compliance reviews in FY 2008/09 and plans to complete 55 reviews in FY 2009/10. These reviews assess compliance with the California Government Code and CCR for membership and payroll reporting for contracting public agencies, schools, district agricultural associations, State agencies and California State Universities.
- OFAS continued to report to the Finance Committee on all open and resolved issues identified in its reports on Internal, Public Agency, Health, Real Estate, Financial Statement and HIPAA audits.

ASB

- FCSD continued the risk assessment process that identified and analyzed the risks relevant to the preparation of our annual financial statements to ensure conformance with Generally Accepted Accounting Principles (GAAP). These controls are in place to prevent material misstatements within the financial statements.
- OSSD reviewed the building management contract bonding and insurance policies to ensure that the coverage amounts and conditions comply with the contract.
- OSSD amended the building management contract to reflect the inventory system used to track inventory at an offsite warehouse leased by CalPERS.
- OSSD completed the board election for the two Member-at-Large Board member positions.
- OSSD submitted the annual State Agency Buy Recycled Campaign (SABRC) report to the California Integrated Waste Management Board as required by Public Contracts Code Section 12211(a), which outlines our recycled content product purchasing. CalPERS was found in compliance with SABRC reporting requirements for the FY 2008-09.

- OSSD submitted the annual State Agency Waste Management report to the California Integrated Waste Management Board as required by the State Agency Model Integrated Waste Management Act. CalPERS was found to be in compliance with diverting 50 percent or more of solid waste from being sent to landfills.

Diversity Office

- The CBC, consistent with Public Contract Code Section 10111, completed the Annual and Mid-Year SB and DVBE Contract Participation Reports. For FY 2008-09, CalPERS reported an SB participation level of 14.40 percent, (an increase of nearly three percentage points from FY 07-08) and a DVBE participation level of 1.69 percent.
- CDOP, in partnership with OSSD, oversaw the survey of the three CalPERS buildings in Sacramento to comply with the California Fair Employment and Housing Act (FEHA) and ADA requirements.
- CDOP compiled the 2008-09 Workforce Analysis Report pursuant to Government Code Sections 19232, 19402 and 19797, and submitted it to SPB.
- CDOP determined Upward Mobility appointments have remained consistent for the last three years. Using data provided by the SPB, CalPERS has appointed 33 employees in Upward Mobility classifications.
- CDOP conducted the enterprise Diversity Survey and identified the organization's key strengths and challenges in the areas of workforce, workplace, and marketplace. CDOP established a comprehensive diversity awareness baseline of 60 percent based on the results of CalPERS Diversity Survey.

ITSB

- ITSB completed the CalPERS IT Intrusion Detection System Strategy, which enhanced the security of CalPERS.
- ITSB updated and published Project Management Office Framework plans, as part of the CalPERS Project Management Methodology, to comply with the most recent edition of Project Management Body of Knowledge.

Training and Outreach

ECOM

- ECOM continued to conduct the Working Values Training at the eleven NEO training sessions and two LEADER training sessions offered in 2009.

OFAS

- OFAS hosted the Association of Public Pension Fund Auditors (APPFA) conference in November 2009.
- OFAS staff received 32 hours of CPE on investment training.

ASB

- OSSD coordinated with ASTD to facilitate the CalPERS Contracts and Procurement training.
- OSSD conducted the annual Business Continuity Plan training for CalPERS Division/Office representatives.
- OSSD conducted an enterprise-wide on-site evacuation drill.
- OSSD conducted an earthquake safety drill in October 2009, in conjunction with The Great Shakeout event held statewide.
- OSSD conducted Emergency Response training for Lincoln Plaza floor warden teams.

Diversity Office

- CBC provided internal outreach and education on supplier diversity issues, SB and DVBE businesses, and CalPERS participation goals, to managers and supervisors through LEADER training and at Division management meetings.
- CBC provided internal outreach and education on supplier diversity issues to new employees through NEO training to improve CalPERS SB and DVBE participation.
- CBC provided direct mail notification to certified SB/DVBE vendors concerning current CalPERS bid opportunities.
- CBC promoted CalPERS SB and DVBE participation through InCalPERS and the Insider.
- CBC participated in five outreach events, reaching out to SB/DVBE representatives, and other diverse business groups.
- CDOP continued to educate managers and supervisors about the benefits of Limited Examination Appointment Process (LEAP) hires to meet annual goal of hiring 12 persons with disabilities.
- CDOP staff piloted the diversity training Charting Your Course™ Diversity and Inclusion Knowledge Map by PRISM, Inc., in the spring of 2009 for three different audiences.
- CDOP participated in the 2009 Annual Leadership Forum for Supervisors and Managers in partnership with SMSD. The topic, *Building and Maintaining an Inclusive Workforce*, was presented by Steve Hanamura to more than 200 managers and supervisors of the organization.
- CDOP and the Disability Advisory Council sponsored the annual CalPERS Disability Awareness Day in partnership with the Office of Statewide Health Planning and Development. Staff had the opportunity to interact with community-based organizations that serve differently-abled people and learn about accessibility for all.
- The Diversity Outreach Committee sponsored the fifth annual Cultural Diversity Day which celebrated the diversity of our workforce and community. In celebration of this year's theme, unity, CalPERS staff participated in the Global Art Project's *Let's All Join Hands* which exchanges wishes for peace with Japan. In addition, approximately \$900 was raised for the Sacramento Food Bank.
- CDOP assisted the Legal Office on their Diversity Outreach Project.
- CDOP presented the Equal Employment Opportunity (EEO) module in the NEO, New Leader Orientation, and LEADER training.
- CDOP coordinated CaliforniaALL's (Aspire, Learn, Lead) launch of the Financial Services Task Force Pipeline at CalPERS.

External Affairs

- GOVA successfully launched the CalPERS Legislative Process Overview training pilot and conducted four training sessions.

Legislation and Regulations

ASB

- OSSD submitted the Participation in Risk Pool Amendments, Sections 588.1 and 588.2, to Office of Administrative Law which became effective October 14, 2009.

External Affairs

- GOVA reviewed 4,120 new and amended bills, of which 307 were identified as bills of interest to CalPERS and stakeholders.
- GOVA successfully lobbied for the enactment of one CalPERS Board sponsored bill and promoted 24 other priority bills.



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Striving for
excellence in
compliance
through innovation,
benchmarkings,
and continuous
improvement.

The Year Ahead

Office of Enterprise Compliance Goals for 2010

In 2009, CalPERS continued to lay the groundwork for an increased focus on compliance and personal ethics. As we look forward into 2010, CalPERS is committed, first and foremost, to placing our members' interest above all others in everything that we do as an organization. ECOM is poised to make even greater strides in this area, with a renewed focus on outreach and staff engagement. ECOM will also focus on expanding existing monitoring efforts and oversight processes related to potential conflicts of interest and other inappropriate activities.

Compliance and ethics programs serve a critical role in helping to prevent and detect misconduct at and by organizations to promote an ethical business environment. CalPERS commitment to the development and rigorous implementation of effective compliance and ethics programs protects investors, members, employers, and the public at large.

The GRMI project provides CalPERS with a strong opportunity to proactively identify and address compliance risks. ECOM will continue to strongly support this effort, and looks forward to playing a central role in helping to improve CalPERS risk-management infrastructure. We hope to leverage the project's focus to identify opportunities for ECOM to better assist with compliance efforts throughout CalPERS, and to identify ways in which we can mitigate risk throughout the enterprise.

We look forward to a busy and productive year, as we continue to expand and develop our relationships with business line staff in support of enhanced compliance throughout CalPERS.

Sherry Johnstone
Chief Compliance Officer

Investment Business Line Compliance Goals for 2010

Compliance Systems and Documentation

- ECOM will work with Real Estate Asset Class staff to create a robust working relationship that includes monitoring of INVO activities.
- ECOM and INVO will continue to research and review available automated tools for commodity and investment compliance.
- ECOM will partner with Real Estate Asset Class staff to complete deployment of Phase 1 of AREIS and begin planning and discussion for development of Phase 2.
- ECOM and INVO will partner to develop procedures for monitoring the use of derivatives and develop related policies and procedures across asset classes.
- ECOM, INVO, and LEGO will partner to develop new processes for monitoring the implementation of, and compliance with, the Leverage Policy.
- ECOM, INVO, and FCSD will partner to develop enhanced policies and procedures for the processing of wire transfers within Cash Manager.
- ECOM, INVO, and OSSD will partner to research and review available automated tools for Contract management.
- INVO, working with ECOM and LEGO, will develop written procedures for the Commodities, Forestland, and Infrastructure programs.
- INVO implemented a design enhancement to the Chief Investment Officer report for the Investment Committee, which increased reliability, relevance and transparency.
- Supplemental Income Plan, in consultation with the Legal Office, will update the CalPERS 457 Plan Document and request Internal Revenue Service approval.
- Supplemental Income Plan will conduct employer education on unforeseeable emergency requests and the Special Catch-up provision for Supplemental Income 457 Plan.
- Member Home Loan Program will prepare a Request for Proposal to refresh program staff to establish best in class Participating Lender and Loan Officers.
- Affiliates Programs Division will review and revise the cash investment processes to improve returns and limit operational risks.

Ongoing Compliance and Monitoring

- ECOM will continue monitoring and conducting periodic review of proxy voting records and trends.
- ECOM and INVO will perform ongoing monitoring of the Corporate Governance automated proxy voting platform.
- ECOM will continue to monitor and report Fixed Income and Global Equity compliance violations.
- ECOM and INVO will partner to ensure the compliance of external managers with the disclosure of Placement Agent relationships, compensation and fees.
- ECOM and INVO will partner to ensure staff compliance with the Insider Trading Policy.
- INVO Asset Allocation/Risk Management staff will release a Request for Proposal to procure a new Market Risk Platform to replace their current system.

- INVO Operations, Performance and Technology Division staff will begin its development of a Request for Proposal for custodian services to include an enhanced master custody structure.

Training and Outreach

- CDOP and INVO, specifically the new Diversity Officer position, will reach out to investment partners with other State and Public Pension systems in an attempt to work toward and work to develop best practices that will help meeting departmental DVBE participation goals and ensure compliance with State regulations.
- INVO and AREIS Project staff will complete training program for CalPERS staff of Phase 1 of AREIS Project.

Health Business Line Compliance Goals for 2010

Compliance Systems and Documentation

ECOM

- ECOM will engage in enhanced outreach efforts to provide HBB staff with improved compliance-related tools, resources and assistance.
- ECOM will work with HBB to identify and prioritize processes that require compliance monitoring.

HBB

- HBB and ECOM will continue to identify applicable laws, rules, regulations, and policies that apply to the health business line, and update the HBB regulatory matrix and Governance Framework as appropriate.
- HIPAA Administration will continue working to complete the updated HIPAA portal.
- HIPAA Administration will work to create a project team for the testing and implementation of the new ANSI 5010 standard.
- OHPA Contract Management will develop, in partnership with LEGO, a process for administrative hearings for member health appeals.
- OHPA Contract Management will incorporate contractual consistency among HMO contracts where feasible.
- OHPA Contract Management will develop a new policy for evaluating and changing Evidence of Coverage (EOC) language.
- Health Plan Acquisitions and Contracts will develop policies and procedures for the re-procurement process.
- LTC Program will work to continue to refine internal policies and procedures as roles, responsibilities and tasks evolve.
- Self-Funded Unit will work to develop new ways to efficiently monitor SCO administrative fees.
- Self-Funded Unit will collaborate with EMHS to ensure implementation of proper controls on preventing fund withdrawal from “no pay premium” accounts.
- Self-Funded Unit will continue to develop procedures to reconcile premiums for the deceased annuitants in the JRS, JRS II, and LRS systems.
- Self-Funded Unit will further improve and refine existing operational processes and procedures.

Ongoing Compliance and Monitoring

ECOM

- The Health CAM will continue to research tools and best practices to monitor and report on compliance activities in the health business line.

HBB

- DOIS, Administrative Services Unit will continue to monitor HBB contracts and process payments.
- DOIS, Administrative Services Unit will continue to coordinate audits and ensure that responses to audit findings are submitted timely to OFAS.

- EMHS will expand compliance outreach activities to HBOs by developing and implementing a reoccurring circular letter to HBOs, to provide them with reminders about important compliance requirements, such as documentation required to enroll a family member.
- Health Plan Acquisitions and Contracts will conduct the annual Market Check for the PBM contract in order to ensure a good faith effort between CalPERS and Contractor to reach agreement on improved pricing terms for pharmacy services.
- LTC Program will work to successfully implement the program-wide rate increase, affecting approximately 165,000 members.
- LTC Program will work to successfully implement the Benefit Increase Option offer, affecting approximately 25,000 members.
- LTC Program will continue to monitor potential fraud and implement measures to mitigate the impact of fraud within the current Long-Term Care Fund financial condition and existing Third Party Administrator (TPA) contract agreement.
- LTC Program will continue to work to monitor and refine the program's Independent Provider process.
- LTC Program will continue to monitor and refine the program's Claims process.
- Self-Funded Unit will continue to proactively monitor fiscal issues as specified in the medical vendor contract including performance guarantee payments and developing a new tracking system.
- Self-Funded Unit will continue to proactively monitor fiscal issues as specified in the pharmacy contract including performance guarantee payments and drug rebate payments and developing a new tracking system.

Training and Outreach

ECOM

- ECOM will continue to provide education and outreach through compliance and ethics training for HBB staff.
- The Health CAM will continue to attend health-related compliance conferences to learn “best practices” and compliance tools.

HBB

- HIPAA Administration will work to launch the HIPAA web-based training module on the LMS.
- HIPAA Administration will continue to provide more Division/unit-specific training to CalPERS staff.
- HIPAA Administration will implement a process for sending out quarterly HIPAA notes to CalPERS staff enterprise-wide.

Legislation and Regulations

HBB

- DOIS, Legislative Services will develop and implement a process with GOVA and HBB program areas to analyze Federal Health Care Reform bills.

Pension Business Line Compliance Goals for 2010

Compliance Systems and Documentation

ECOM

- ECOM will engage in enhanced outreach efforts to provide MBSB staff with improved compliance-related tools, resources and assistance.
- ECOM will continue to work with the pension business line to assess risk of noncompliance with policies, rules, and regulations and determine compliance exposures.
- ECOM will create monitoring and reporting tools for pension and retirement compliance.

AESB

- ACTO will continually develop and document new policies and procedures and review and improve existing policies and procedures allowing CalPERS to provide high quality information and consistent services to its customers.
- ERSD will continue to work with ISOF to ensure compliance with and awareness of CalPERS Information Security Practices.
- ERSD's Policy, Procedure and Compliance Unit will continue to enhance the compliance function by coordinating improved documentation of policies and procedures, legislative analysis and implementation, resolution of internal and external audits, regulations, and other compliance-related duties.

MBSB

- MBSB will provide information for inclusion in the Knowledge Management System (my I Info).
- MBSB will continue the periodic review of Retirement Program Directives for changes and updates.
- MBSB will recommend new processes to integrate the Retirement Program Directive Process into the legislative and legal advice processes to ensure a systematic and efficient policy documentation process.
- MBSB will engage in the enterprise's risk identification and mitigation activities as defined by the Ad Hoc Risk Management Committee.
- CSED will replace stock envelopes with higher-security mailing envelopes, providing greater protection of member information.
- CSED will explore queuing after-hours faxes for printing during business hours, to improve information security.
- CSED will assess the new copier-scanner e-mail functionality for information security risks, and will develop and implement a mitigation strategy.
- MBSD will develop procedures to mitigate security risks associated with the e-mail capabilities of the new copier-scanners.

Ongoing Compliance and Monitoring

AESB

- ACTO will award a new contract for independent reviews of the actuarial valuation annual results and have the successful bidder commence work on the review of the public agency valuations.
- ACTO will implement the Board-approved modification to the rate stabilization plan.
- CORE will coordinate the efforts of staff from the CERBT, ACTO, FCSD, and OFAS to maintain GASB 43 reporting compliance.
- ERSD will continue to send email reminders to staff to increase compliance awareness on such topics as Information Security, Ethics Training, policy and procedure review dates, and to send individual reminders to managers on topics including probationary and annual performance review dates and emergency contact information updates.
- ERSD will continue to administer and maintain the agreements between the Social Security Administration and CalPERS State and contracting agencies, as delegated by the Governor.
- ERSD will make continued improvements to ensure that public agency review findings are resolved.
- ERSD will implement recommendations on ways to increase employer compliance, and/or resolve issues preventing employer compliance related to employer review findings.
- ERSD will monitor quality pursuant to its Quality Assurance Improvement Plan.

MBSB

- MBSB will continue to coordinate improved documentation of policies, regulations, legislative analysis and implementation, resolution of internal and external audits, information security, and other compliance-related duties.
- MBSB will engage in a Branch-wide effort to ensure procedures are effectively updated to reflect legal, regulatory, policy and system changes.
- MBSB will update current publications and online content in accordance with system disclosure policy.
- MBSB will continue to work with ISOF and ITSB to ensure compliance and awareness of CalPERS Information Security Practices.
- MBSB will continue to notify staff regarding compliance awareness on such topics as Information Security, Ethics Training, policy and procedure review dates, and to send individual reminders to MBSB managers on topics including probationary and annual performance review dates, and staff emergency contact information updates.
- CSED will update their Division home page to include an intranet security Web page geared toward the Division's unique work environment.
- CSED will align its Quality Assurance Program with myCalPERS to ensure compliance with any new legal, policy or procedural requirements.
- MBSB will continue to work with ISOF, ITSB and other data owners to review, educate, and obtain appropriate sign-offs prior to releasing any CalPERS confidential and/or sensitive information to external entities.

Training and Outreach

AESB

- ACTO actuary staff will participate in the continuing professional development required to maintain their professional accreditations.
- ERSD will continue to enhance the Customer Education Center (CEC) to improve the accessibility of procedures and training materials for employers.
- ERSD Training Unit will continue to develop and deliver job and/or Division-specific training classes.
- ERSD will continue to provide timely, relevant educational information through articles in the Employer News.
- ERSD will continue to develop and publish online classes that can be accessed by employers via the CEC to provide employers with the tools, resources and training they need to effectively do business with CalPERS.
- ERSD will continue to disseminate Circular Letters and employer eBulletins by mass mail to advise employers of policy or procedural changes and/or information relating to retirement, benefits and related issues.

MBSB

- MBSB will utilize and build on the enterprise's new training governance standards that will provide structure for training programs as developed by myCalPERS.
- MBSB will continue periodic training for staff on the Retirement Program Directive Process.
- MBSB will continue ongoing job skills training for staff, and will train all staff on new procedures associated with legal, regulatory, policy and system changes.
- BNSD will continue to provide education to members and employers through workshops and/or news publications.
- BNSD will improve information to members by revising retirement publications in accordance with the disclosure policy.
- CSED will continue to offer instructor-led and online retirement classes. The classes will be enhanced with myCalPERS functionality information.
- CSED will train staff on the changes being made in the interactive voice response system, so they can assist customers and utilize its full functionality.

Legislation and Regulations

AESB

- ERSD will continue to review and analyze areas of the law that are ambiguous, and determine a plan for addressing issues requiring legislative action or changes through the regulatory process.
- ERSD will promulgate regulations necessary to support the design of myCalPERS.
- ERSD will implement AB 86 (Chap. 79, Stats. 2009), which allows contracting agencies to include their airport law enforcement officers as local safety members through an optional contract amendment.
- ERSD will implement AB 637 (Chap. 118, Stats. 2009), which allows the Board to charge interest on the amount of any payment due and unpaid by a contracting agency until payment is received as

an actuarial interest rate versus the rate approximating the average rate received on moneys then being invested.

- ERSD will implement AB 966 (Chap. 130, Stats. 2009), effective January 1, 2010, which includes but is not limited to:
 - Clarifies that the final compensation provisions apply to members hired for the first time after a specific date for specific bargaining units.
 - Clarifies that National Guard Service final compensation is a 12 month consecutive period.
 - Clarifies that the employer is responsible for arrears of the member contribution costs and \$500 in administrative costs per member not enrolled in membership timely. The employer shall not pass costs on to the employee.
 - Adds member classifications of local safety officer, local sheriffs or school safety members, if the agency elects by amending its contract.
 - Clarifies the definition of payrate to guarantee consistency in reporting for classified members.

MBSB

- BNSD will implement AB 966 (Chap. 130, Stats. 2009) to be effective January 1, 2010, which, among other things:
 - Expands the statute of limitations to 10 years for fraud due to unreported payee deaths or unreported marriage of an entitled child.
 - Allows a retirement effective date for non-members which is earlier than the first day of the month that the non-member's application is received in CalPERS, if the application is received within nine months of the requested effective date.
 - Ensures that the benefits paid out to a member will never exceed the Internal Revenue Code section 415 limits, irrespective of other regulations regarding the payment of Cost-of-Living-Adjustments.
- MBSB submitted a legislative proposal for 2010 that would provide CalPERS with the authority to cancel or suspend a member's service credit purchase on a prospective basis and to remove all service credit that is not paid for from the member's account.
- MBSB will continue to review and analyze areas of the law that are ambiguous and determine a plan for addressing issues requiring legislative action or changes through the regulatory process.

Enterprise Business Line Compliance Goals for 2010

Compliance Systems and Documentation

ECOM

- ECOM will create and recruit Enterprise CAMs to address enterprise-support compliance issues and assist with workload related to the GRMI.
- ECOM will develop and implement an Ethics Helpline.

OFAS

- OFAS will begin planning and preparation for its upcoming External Quality Assessment, required every five years in accordance with professional standards and next due in 2011.

ASB

- FCSD will continue to expand ongoing risk assessment processes relevant to the preparation of our financial statements to ensure they are consistent with GAAP.
- HRSD will complete its project to document all HR policies and procedures using the enterprise standard InfoMapping format.

Diversity Office

- CDOP, in conjunction with HRSD, will work to develop systems to track upward mobility appointments, training, and career development activities.
- CDOP will participate in the online Disability Survey Pilot Program with SPB in accordance with Government Code section 19232, which requires a survey of departmental employees be conducted at least every five years to update information on the number of employees with disabilities.
- CDOP will collaborate with OSSD to implement a transition plan to address the Americans with Disabilities Act (ADA) Compliance Survey of the three CalPERS buildings in Sacramento.
- CDOP will collaborate with OSSD, LEGO and the Executive Office (EXEO) to develop policies to strengthen the CalPERS SB/DVBE program.

External Affairs

- GOVA will develop and implement a plan to convene key stakeholders to advocate for and influence strategies that protect the Board's flexibility in administering State pensions, protect against unfair or discriminatory benefit proposals, maximize the important role of defined benefit plans in retirement security, and protect the tax exempt status of CalPERS programs (with regular reporting to the Board's Benefits and Program Administration Committee).
- GOVA will develop a State coalition on biologics to educate members of the California Congressional delegation.

ITSB

- ITSB will establish an Internal Training Infrastructure. With an established infrastructure, ITSB will have the ability to strategically forecast organizational training needs, provide training plans

for each job role, implement processes to ensure training is sustained throughout the year and proactively forecast activity. The ITSB Training Infrastructure will provide a single point of contact for all ITSB staff to develop their skills and support the organization as it evolves into new technologies and services.

- ITSB will finalize updates and the transition to a new format for the online version of the ITSB Policy and Procedure Manual. When complete, the Manual will be in an enhanced user friendly format with enhanced ease of maintenance.

Office of External Affairs

- CalPERS will conduct an Enterprise-wide project to develop and implement a web accessibility policy.

Ongoing Compliance and Monitoring

ASB

- OSSD will develop an offsite drill to continue development of Emergency Response and Business Continuity staff, and strengthen CalPERS Emergency Response and Business Continuity Program.
- OSSD will conduct elections for the Public Agency, State, and School Board member positions.

Diversity Office

- Pursuant to SPB guidelines, CalPERS will set FY 2010-11 numerical Upward Mobility goals.
- CalPERS goal of hiring 12 new persons with disabilities annually will remain in effect, in support of the 10-year employment goal set in FY 2004-05.
- As required by the Dymally-Allatorre Bilingual Services Act, the Biennial Bilingual Survey will be conducted and CDOP will submit the report to the SPB in October 2010. The Language Survey will reveal the total number of public contacts made in either English and/or other languages.
- CDOP will continue to host the monthly meeting of the CalPERS Disability Advisory Council, as required by Government Code sections 19230-19237 and 19795(b).
- CDOP, in conjunction with PAOF, will conduct a pulse survey as part of the Employee Survey to gauge progress in increasing the diversity awareness of employees by five percent over the baseline established in 2008.
- CDOP will continue to collaborate with OSSD on issues pertaining to SB and DVBE vendors and increasing CalPERS contracting and procurement participation levels.

ITSB

- ITSB will update all Division Chief Delegation of Authority documents.

Training and Outreach

ASB

- OSSD will develop a training plan for CalPERS Command Structure to meet Standardized Emergency Management System, National Incident Management System, and Incident Command System requirements.

Diversity Office

- CDOP will facilitate program self-evaluation training of the Disability Advisory Council in order to ensure program access for employees with disabilities.
- CDOP will continue to promote the value of purchasing products and services from SB and DVBE vendors by meeting with Division representatives and WeBuy users.
- CDOP will promote stronger use of the SB/DVBE Option for contracting opportunities.

External Affairs

- GOVA will facilitate meetings with California Legislators and their staff on CalPERS Investment strategies.
- GOVA will organize and execute a briefing on CalPERS to educate Capitol staff on the CalPERS organization, investments, pensions, and what CalPERS is doing to ensure pension/retirement security.
- GOVA will educate and advocate for such tenets as comparative effectiveness legislation, prevention and wellness policy improvements, biogenerics, health IT, financial transparency, and continuation of traditional employer-based health care along side affordable coverage for all citizens through letters and policy statements, and through district visits to the California Congressional delegation.
- GOVA will arrange for testimony at information hearings of the California legislature regarding the above-mentioned topics.
- GOVA will provide data/information related to HBB through visits and in writing to California and federal lawmakers.
- GOVA will educate the Administration, Legislature, and Securities and Exchange Commission regarding CalPERS placement agent policies.

Legislation and Regulations

ASB

- OSSD will add a new regulation (section 552 – Board Meeting Notice) concerning the change to the Board Notice Requirements by discontinuing its mass distribution of printed copies of the CalPERS Board Meeting Notices to achieve cost savings and support environmentally friendly efforts.

External Affairs

- GOVA will provide input on SEC proposals, and develop and participate in coalitions designed to promote and/or mold those proposals.

“Policy to Practice”
Reference materials
for building effective
compliance programs.



Appendix A

U.S. Sentencing Commission's Organizational Sentencing Guidelines

Because an organization is liable for actions taken by its agents (offenses by certain personnel) it is important for organizations to avoid culpability (involvement in or tolerance of these offenses) by demonstrating an effective compliance program – this becomes a factor in determining the amount of fines which may be levied against an organization.

The guidelines increase the fine range when organizations are more culpable and reduce the fine range when organizations are less culpable.

The steps an organization takes to prevent and detect criminal conduct and the organization's actions after an offense has been committed are important in determining a fine range.

Specifically, the organization's culpability is determined by:

- the level or extent of the organization's prior history,
- whether an order was violated when the organization committed the offense,
- whether the organization obstructed or attempted to obstruct justice,
- whether the organization had an effective program to prevent and detect violations of law, and
- whether the organization reported the offense, cooperated fully in the investigation, and accepted responsibility for its criminal conduct.

Organizations reduce the risk of extensive fines by implementing compliance programs that are proactive in the promotion of ethical behavior.

The United States Sentencing Commission's Organizational Guidelines Manual "Chapter Eight - Sentencing of Organizations" requires organizations to (a) have an effective compliance and ethics program, (b) exercise due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law, and (c) periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process and to:

- (1) exercise due diligence to prevent and detect criminal conduct.
- (2) promote a culture of ethical conduct and a commitment to compliance with the law.
- (3) use efforts not to include those within the substantial authority personnel of the organization any individual who the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.

- (4) conduct effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.
- (5) take steps—(A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct; (B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and (C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.
- (6) The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.
- (7) After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.

Appendix B

All Staff Training and Development (ASTD) Mandatory Training Matrix

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Accessibility for handicapped See also "reasonable accommodation (disability)"	The intent of the law is to make the workplace equally accessible to all, to reduce barriers to employment for those who are physically handicapped. It goes hand-in-hand with reasonable accommodation in the workplace (of a disability).	Federal law (Americans with Disabilities Act of 1990; Rehabilitation Act of 1973; Fair Employment and Housing Act, FEHA); Executive Order S-04-05 (LEAP, Limited Examination and Appointment Program)	HR, ERMM (Reasonable Accommodation Officer); BOSS unit (hearing-impaired); OSSD (space planning); CDOP diversity analyst (for LEAP)	New Employee Orientation; evaluation by space planning; compliance with reasonable accommodation request; division furniture contact request	All	As needed for self-identified staff
Conflict of interest/ incompatible activities See also "ethics training and gift reporting"	The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations	LEGO; Chief Compliance Officer (Office of Enterprise Compliance); ASTD	Online training (Insider course); Fair Political Practices Commission video in LC; ECOM CalPERS Working Values Handbook	Employees listed in CalPERS Conflict of Interest Code (see Insider) generally SSM III & above; CalPERS Board members, some CalPERS consultants	annual
Contracts training	Training specific to developing & administering CalPERS contracts	PCC Section 10310.5; CA Pension Protection Act of 1992 (Article XVI, section 17, CA constitution); CalPERS Board Resolutions 92-04B & 92-04B-1, 3,5,6,7; OSSD-98-01; Delegation No. EXEC-95-101; SB 115 (Ch. 451, Stats. 2005), SB 1436 (Chap. 234, Stats. 2006)	OSSD contracts mgmt & procurement sections; ASTD	CalPERS admin manual (PAM) on Insider; hard-cover contracts training manual; ASTD courses	requesting division, contract mgr, Board, CEO, AEO Admin, Legal, OSSD CMS, PROS, FCSD, HR, Audits, IT, ISOF	As needed and applicable

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Data processing	Training & development related to usage of computers & software	SAM (State Administrative Manual) 4854; http://sam.dgs.ca.gov/TOC/4800/4854.htm	IT; mgmt.; training coordinators; ISOF (Information Security Office); HRSD All Staff Training & Development (ASTD)	Internal training; HRSD (ASTD Learning Center); ASTD courses	All	As needed & applicable
Defensive driving	The Department of General Services, Office of Risk and Insurance Management, approves and develops statewide driver training courses. Obtain course descriptions and scheduling information by accessing the DGS Training System Registration website, http://www.training.dgs.ca.gov , or by contacting the Defensive Driver Training Coordinator, Office of Risk and Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5309.	SAM (State Administrative Manual), http://sam.dgs.ca.gov 0750 et seq; Vehicle Code, section 1808.1 (Pull Notice Program)	Staff and supervisors of staff who drive (operate vehicles) on official State business; OSSD	Dept. of General Services 3½ hour classroom training; other DGS courses; other training; review drivers' records annually; New Employees Orientation; annual Summary Report of State Driver Accidents, Office of Insurance & Risk Mgmt Form INS-68	All employees who operate vehicles on official State business	At minimum, successful completion of an approved defensive driver training course once every 4 yrs (for frequent drivers)
Departmental training policy, plan, programs evaluation; total program evaluation	Relevant work-related training for all staff at CalPERS; responsibilities of state agency training dept. & trainers; New Employee Orientation	DPA regulations 599.815-.819, 599.821, Govt. Code 19400-19406, 19995; Dept. of Finance Budget Letter 98-07; for NEO, relevant MOUs (union contracts)	ASTD	New Employees Orientation; thereafter as needed; internal & external training; LC	All newly appointed CalPERS employees	New Employee Orientation; thereafter as applicable
Diversity See also "harassment (sexual)"	Diversity is a fundamental business philosophy that values the differences of each individual and ensures equal opportunities for all staff. It is strategically and ethically driven, not just legally driven. It reflects the cultural, ethnic, and racial diversity of our stakeholders.	Executive Order S-04-05; two CalPERS issue memos; GC 19323, CA Dymally-Allatorre Bilingual Services Act; Federal Americans with Disabilities (ADA) Act; GC 19230-19237, 19795(b), 19797; PCC 10111	(CDOP) Diversity Outreach Program staff; Legal Office	LC, internal training; external consultants; CDOP Annual Workforce Analysis Report; CalPERS Disability Advisory Council & Disability Awareness Day; annual, midyear SB & DVBE contract participation reports; Biennial Bilingual Survey	All staff, including supervisors and consultants; CalPERS Board members	As needed & required; minimum once

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Emergency response training (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	The Business Continuity and Emergency Response Units are responsible for developing, documenting, testing, and maintaining a comprehensive plan to be activated in the event that a natural or man-made disaster disrupts CalPERS ability to conduct normal business operations.	SAM 6560; CA Emergency Services Act; GC 8649; Executive Order B-48-78	Disaster Recovery Contact (OSSD); Business Continuity Coordinator (OSSD) (for CalPERS Business Recovery Plans); Emergency Response Coordinator (for Emergency Response Program)	Internal training by external consultants; business continuity plans for each division	Emergency response team of volunteer CalPERS staff with management support, business recovery contacts in each division	For emergency response-Annual refresher + intro 2-day training
Employee assistance program (EAP) orientation	Program provides confidential problem assessment, short-term counseling, and referral services to employees and their families. Areas include personal, emotional and stress concerns, marital and family issues, financial and credit problems, legal matters, alcohol and drug abuse problems, along with dependent elder and child care issues.	HSC 11759.10-.17; GC 19998.5; DPA Reg 599.931	EAP Coordinator (HR) (Employee Relations Officer); division personnel analyst	New Employee Orientation; subsequent annual orientations or as providers change; internal or external training	All	At least once during employment
Employer-related training	The Actuarial and Employer Services Branch (AESB) is the liaison for employer-related issues. It is the mission of AESB to serve and partner with customers and stakeholders through maintaining and analyzing information, and communicating, educating and consulting. The AESB Employer Representatives may be able to provide consulting services via the telephone, video-conferencing, or on site visits to employer offices. Consulting services include discussing the process for amending CalPERS Contract, any payroll issues, membership issues, or any CalPERS issue. AESB's aim is to be a full service employee benefits consulting function within CalPERS. The primary responsibilities of the branch are: Actuarial Services, Employer Contracts and Education, Employer Reporting, Employer Contact Center, and Communication and Branch Administration (AESB, Help_Me, Employer News, CalPERS On-Line and Insider websites, legislative analysis)	PERL (Public Employees' Retirement Law)	Actuarial & Employer Services Branch (AESB); Office of Data Administration	Internal training	Specific employees in divisions which deal with employers	As needed; ongoing

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Ergonomics (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	Ergonomics is the applied science of designing and arranging things that people use so people and things interact most efficiently and safely. To prevent pain and injuries associated with the computer, called cumulative trauma disorder injuries (CTDs) or repetitive motion injuries (RMIs) is the intent of ergonomics training (part of Injury & Illness Prevention Program).	LC 6400, 6401, 6401.7, Title 8, CCR, Section 3203, ANSI/HFS 100-1988; CAL/ OSHA Reg: Title 8, CCR, Section 5110	All staff; including managers, supervisors, HR Health and Safety Officer (Ergonomic Program Coordinator); OSSD space planning unit; Return to Work Coordinator (HR)	New Employee Orientation; on- the-job training for call center staff	All	Ongoing as needed; minimum of once at start of employment
Ethics training and gift-reporting; see also "conflict of interest/ incompatible activities"	The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations CalPERS internal memos (11/18/09)	Legal Office; Chief Compliance Officer (Office of Enterprise Compliance, ECOM)	Online training (Insider course); Fair Political Practices Commission video in Learning Center; file Form 700 (Statement of Economic Interest); ECOM Working Values Handbook	Employees listed in CalPERS Conflict of Interest Code (see Insider) generally SSM III & above; CalPERS Board members, some CalPERS consultants	At start of employment for impacted staff
Harassment (Sexual)	The California Public Employees' Retirement System (CalPERS) is committed to ensuring a work environment that is free from all forms of discrimination, including sexual harassment. It is the policy of CalPERS to prohibit sexual harassment by or of a CalPERS employee or a person providing services to CalPERS pursuant to a contract. CalPERS has a zero tolerance for such conduct and expects its managers and supervisors to vigorously and visibly promote a harassment-free work environment.	GC 12940-12951; Stats 2004, Ch. 933; AB 1825 (FY 03/04) amended 8/17/07 (GC section 12950.1); Title VII, 1964 Civil Rights Act; CA Fair Employment & Housing Act; EEOC; CalPERS Zero Tolerance Sexual Harassment Policy, effective 10/01/07, updated 4/29/09; U.S. Federal Sentencing Guidelines	Diversity Outreach Program staff; Legal Office; ASTD	HRSD (track & report internal training); State Personnel Board course; CalPERS LEADER course & New Employees Orientation; CalPERS online Insider Onboarding programs	Supervisors and all other staff at CalPERS; Board members; CalPERS consultants and contractors	All new supervisors or managers within six months of start; every two years for all supervisory employees

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Health Insurance Portability & Accountability Act (HIPAA)	Overarching Federal law to limit fraud & abuse, reduce health care admin costs, and protect security, privacy and insurability of individuals & their protected health information; applicable to us both as members and to staff in health branches . The health program side of CalPERS is involved in providing continuity of health benefits to members. We provide administrative (security) training regarding HIPAA for HBB and EMHS staff.	FFederal law (8/21/96): HIPAA Act: sections on Privacy, Transactions Code Sets, Security; Federal Dept. of Health & Human Services, Office of Civil Rights (45 C.F.R.) State of California, Office of HIPAA Implementation, www.calOHI.gov SAM, ANSI 834	HIPAA Coordinator/ Privacy Officer in HBB; all supervisors; Information Security Office (ISOF)	www.calOHI.gov Insider HIPAA compliance portal; CalPERS New Employees Orientation & LEADER training; HIPAA ANSI 834 guide; Business Continuity Plan Decision Logic Table	Primarily Health Benefits Branch (HBB); Office of Employer & Member Health Services (EMHS); secondarily all CalPERS staff, all contractors & consultants	At initial employment & annually thereafter (signed statement by staff); for contractors & consultants, at commencement of work
Information Security Awareness See also “data processing” and “Health Insurance Portability & Accountability Act (HIPAA)”	An information security officer shall be responsible for implementing state policies and standards regarding the confidentiality and security of information pertaining to his or her respective agency.	GC 11771 & related; as of August 2007, mandated training through ISOF	ISOF (Information Security Office)	Internal training; ISSCA annual signed form filed in HR; New Employee Orientation	All staff, including Executive staff, students, contractors, retired annuitants	Annually, beginning at start of employment (see HIPAA compliance)
Injury & Illness Prevention Program (includes emergency response training, ergonomics, medical services & First Aid/CPR certification, and Workplace Violence Prevention Program)	Each department shall establish, implement, and maintain an Injury and Illness Prevention program (IIPP).	CCR Title 8, Section 3203; LC 6401.7; SB 198, SAM 2580.2, 2580.4 (for State departmental safety coordinators); Chapter 1369, Stats. 1989; Exec. Order D-48-85; guidelines, Injured State Workers' Assistance Program	Health & Safety Officer (HR); CalPERS Employee Relations Officer	New Employee Orientation; IIPP Insider document ; new job assignments; whenever new hazards identified; 8-day, 2-week DGS course; Log & Summary of Occupational Injury & Illness, CAL/OSHA Form 200	Generally applicable to all; with specific training for all State departmental safety coordinators	Ongoing; as needed, begin at start of employment; within one year of appointment (SAM 2580.4) for all State departmental safety coordinators
Medical services & first aid/CPR certification (part of Injury & Illness Prevention Program)	http://insider.calpers.ca.gov/building/lincolnplaza/emergency/cpr-list.htm as of 6/08/09, list of CalPERS first aid/CPR certified staff, 2-year certification from month of issue	Cal/OSHA General Industry Safety Orders, Title 8, CCR, Section 3400	Disaster Recovery contact (OSSD); HR Employee Relations & Medical Management staff, specifically CalPERS First Aid/CPR Certification Program Coordinator	Certify staff in First Aid/CPR; identify staff who are already currently certified	Those identified by applicable OSSD and HR staff for certification or re-certification	Ongoing, as needed

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
New Supervisors training	Minimum 80 hours of training provided to new supervisors to help them succeed in their new roles, at least 40 of which may be on-the-job by a qualified higher level supervisor or manager, and at least 40 of which shall be structured & provided by a qualified instructor	Government Code 19995.4	Human Resources All Staff Training & Development (ASTD)	ASTD course: LEADER, New Leader Orientation	Those staff promoted to supervisor from rank & file	Once within probationary period or within 12 months of supervisory appointment
Reasonable accommodation (disability). See also Americans with Disabilities Act of 1990 (accessibility for handicapped)	<p>An employer is required to provide reasonable accommodation for any disability identified in the ADA, as requested by self-identifying applicable staff.</p> <p>Employees with disabilities have the right to equal access to employer-sponsored training that is available for job improvement, self-development, and upward mobility. In providing or sponsoring training, CalPERS is committed to doing the following:</p> <ul style="list-style-type: none"> • Inform employees on all training notices that reasonable accommodation will be provided, where appropriate, upon reasonable advance notification of need. • Provide the TTY number or the number for the California Relay Service so that deaf and hearing-impaired employees can access more information; ensure that facilities used for training are accessible to persons with disabilities. • Provide sign language interpreters, captioned film or videos, large print or Braille written materials and other such accommodations as appropriate or available. 	Americans with Disabilities Act of 1990 (ADA) and the Fair Employment and Housing Act, FEHA, which are Federal laws	Human Resources (Reasonable Accommodation Officer); space planners (OSSD); CalPERS Diversity Outreach Program (CDOP) staff	Compliance varies, according to individual situation as determined by individual staff "reasonable accommodation" request to HR or OSSD, see summary at left for training methods.	All	As needed for self-identified staff
Records Management	The CalPERS Records Management Program establishes and executes the policies and procedures for creating, modifying, storing and destroying business records.	SAM (State Administrative Manual) 1610	OSSD Records Management Unit; policy change/ review by EXEO, Office of Legal Services, and Office of Audits Services	Internal training by HR & Change Management (SMSD) staff	All; division managers implement for each division	Annual review by divisions

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Toxic Exposure (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	If employer creates, obtains, or has access to records of exposure or medical records of employees exposed to toxic substances or harmful physical agents, then the employer must maintain the records for the length of employment of the employee plus 30 years. The employer must make these records available to employees, their representatives or the Division of Occupational Safety and Health (DOSH) without cost, within 15 days of a request.	SAM (State Administrative Manual) 2590; CAL/OSHA safety order (General Industry Safety Orders, section 3204, Title 8, CCR)	Health & Safety Officer (HR)	Keep records in Human Resources	All	Ongoing
Training provisions in current MOUs.	In the Memorandum of Understanding (MOU), the union contract for each represented employee, provisions regarding training and education are found.	See current MOUs online at dpa.ca.gov, calcsea.org or seiu1000.org websites	All staff represented by unions (rank-and-file, not usually managers or supervisors)	Review hard copy contracts, or online MOUs as needed	All rank and file staff; all staff with MOUs	Review at start of employment, and as MOUs change
Upward mobility See also "training provisions in current MOUs"	Upward Mobility is the planned development and advancement of employees in low-paying occupations to entry technical, professional, and administrative positions in State departments. In addition to a formal Upward Mobility Program, a variety of opportunities for staff to develop skills to prepare for advancement are available through the CalPERS Learning Center, training classes, computer-based training, lunchtime workshops, corporate citizenship activities, on-the-job training, and other venues.	GC 19400-19406, 19494	CalPERS Diversity Outreach Program staff (CDOP); Equal Employment Opportunity (EEO) officer in CDOP; ASTD training programs	CalPERS Step Up (interactive online program) on Insider	All	Ongoing
Work/family	Benefits, policies & programs relating to work and family, that pertain to state employees. Various documents are at the DPA website.	Federal & state laws; review DPA regs for non-represented staff; MOUs for represented staff	HR (Employee Relations and Medical Management)	Insider; New Employee Orientation; announcements as needed	All	Ongoing
Workplace Violence Prevention Program (included in Injury & Illness Prevention Program)	The State agrees to meet with the Union to develop and provide training on a model Workplace Violence Prevention Program and make the program available to all departments.	Personnel Mgmt Liaison (PML) 12/14/01 (DPA Memo); Title 29, US Code Sec. 654 (a)(1); CA Labor Code Sections 230.1, 6400 et seq.; CA Govt. Code Sec. 19572; CA Penal Code Sections 71, 171b, 387	HR (Employee Relations and Medical Management)	CalPERS LEADER training; LC resources; Zero Tolerance Workplace Violence Prevention program & policy on Insider (10/01/09)	All	Ongoing

Appendix C

Definitions

Affiliate Programs Division: The Affiliate Programs Division within INVO provides oversight and management of three CalPERS Programs: Supplemental Income Plan, Member Home Loan Program and the Affiliate investments.

AIM Program: Alternative Investment Management (AIM) asset class is responsible for investing in domestic and international Private Equity investments, which are the securities of companies and partnerships that are not publicly traded. These investments include venture capital, growth capital, and buyout financing.

Business Lines: The combined activities and resources related to the accomplishment of a specific organizational goal (such as managing investments, or providing health insurance to members). CalPERS has identified three key business lines, each with its own unique focus and compliance issues. The three key business lines are Investments, Health, and Pensions.

CAM: Compliance Area Manager. There is at least one CAM for each of the three primary business lines (Investments, Health and Pensions). The CAMs provide specialized program area support on subjects pertaining to the business line for which they are responsible.

Contracting Agency: A public agency or school that contracts with CalPERS for the provision of retirement and/or health benefits.

Control Structure: The ethical and procedural framework created by the combination of all the control systems throughout an organization.

Control Systems: The systems and procedures that have been established to provide ongoing compliance monitoring and mitigate the risk of non-compliance with relevant laws, regulations, guidance and policies.

Corporate Governance: The practices of company management and boards of directors who are elected to represent shareowners. Good corporate governance aligns the interest of management, boards and shareowners to sustain long-term stock performance. Poor governance typically stems from corporate policies and practices that diminish the voice and access of shareowners. The key initiatives of CalPERS corporate governance program are:

- Obtaining the right for shareowners to nominate and elect directors
- Curbing egregious executive pay
- Urging corporate disclosure regarding environmental and sustainability issues

Enterprise: For purposes of this report, the term “Enterprise” includes CalPERS:

- Board Members
- Officers
- Committee Chair persons
- Agents
- Consultants
- Employees

Fixed Income: The Fixed Income asset class is responsible for:

- In-house management of dollar-denominated securities for CalPERS
- Affiliated Funds
- The Deferred Compensation Program
- Limited duration for CalPERS
- Buying/selling mortgages in the Member Home Loan Program

The Fixed Income team actively manages on a total rate of return basis of approximately \$60 billion of CalPERS assets in various fixed income instruments, including commercial real estate mortgages, corporate bonds, residential mortgages, treasury bills, treasury bonds, treasury notes, agency pass-throughs, and others.

Furlough: Mandatory unpaid time off, required for California state employees under Governor’s Executive Orders S-16-08 and S-13-09.

Global Equity: CalPERS Global Equity asset class handles CalPERS investments in equity securities traded on any public market worldwide, including in-house management of domestic and international stocks, the Risk Managed Absolute Return Strategies, External Equity Managers, and the Corporate Governance Program.

HIPAA: The Health Insurance Portability and Accountability Act of 1996. HIPAA contains requirements regarding the protection of individual health information (privacy) and health insurance enrollment and coverage (portability).

Inflation Linked Asset Class: Asset Allocation/Risk Management is responsible for the development and management of the inflation-linked asset class. This new class will enhance CalPERS ability to link the Fund to inflation through four sub-asset classes of infrastructure, commodities, forestland, and inflation-linked bonds. Investments in these sectors offer more stable, long-term returns that are less susceptible to market swings than common stocks.

MHLP: The Member Home Loan Program provides mortgages to eligible CalPERS members purchasing a home.

OPEB: Other Post-Employment Benefits. Under GASB statement 45, government employers must report their costs and financial obligations for future benefits (such as health or vision coverage) that will be provided in addition to employee pensions.

Protected Health Information: Protected Health Information (PHI) is information that communicates an individual's health status, provision of health care to the individual, or health insurance or payment status. PHI is protected under HIPAA, and violations may result in fines.

Proxy Voting: The process of casting shareholder votes through an agent legally authorized to act on behalf of another party.

Real Estate: CalPERS Real Estate asset class invests in domestic and international private equity real estate through external investment partners, and in public equity real estate with external partners and internal CalPERS managers.

Retiree Drug Subsidy: Under Medicare Part D, employers who provide prescription drug coverage to their retirees are eligible to receive a federal subsidy equal to 28% of qualifying prescription drug costs.

Sarbanes-Oxley: Public Company Accounting Reform and Investor Protection Act of 2002. Sarbanes-Oxley established significant new requirements for the financial reporting and oversight of public companies.

Securities Lending: The process by which a brokerage lends securities owned by its clients to short sellers.

Supplemental Contribution Program: The Supplemental Contribution Program allows certain CalPERS members to supplement their CalPERS defined benefit retirement plan by using after-tax contributions.

State Alternate Retirement Program: The Alternate Retirement Program is a retirement savings program, administered by the Department of Personnel Administration, in which certain State employees are automatically enrolled for their first two years of employment with the State of California.

Supplemental Income Plans: The Supplemental Income Plans Unit manages all CalPERS Defined Contribution Plans, including CalPERS 457 Deferred Compensation Plan, State "Peace Officers and Firefighters" Defined Contribution Plan, and Supplemental Contributions Program.

Commonly Used Acronyms

ACTO: CalPERS Actuarial Office	ECOM: CalPERS Office of Enterprise Compliance
ADA: Americans with Disabilities Act	EEO: Equal Employment Opportunity
AESB: CalPERS Actuarial and Employer Services Branch	EEOC: Equal Employment Opportunity Commission
AIM: Alternative Investment Management	EMHS: Office of Employer and Member Health Services
ASB: Administrative Services Branch	EOC: Evidence of Coverage
ASTD: CalPERS All Staff Training and Development	EPSO: Enterprise Privacy and Security Office
AREIS: CalPERS Automated Real Estate Investment System	ERCC: CalPERS Employer Contact Center
BNSD: CalPERS Benefit Services Division	ERSD: CalPERS Employer Services Division
CalPERS: California Public Employees' Retirement System	ETM: CalPERS Enterprise Transition Management
CalSTRS: California State Teachers' Retirement System	EXEO: CalPERS Executive Office
CAM: Compliance Area Manager	FCSD: CalPERS Fiscal Services Division
CBC: CalPERS Business Connection	FEHA: California Fair Employment and Housing Act
CCC: Customer Contact Center	FEHC: California Fair Employment and Housing Commission
CCO: Chief Compliance Officer	GAAP: Generally Accepted Accounting Principles
CDOP: CalPERS Diversity Outreach Program	GASB: Governmental Accounting Standards Board
CEC: CalPERS Education Center	GOVA: CalPERS Office of Governmental Affairs
CEO: Chief Executive Officer	GRMI: Governance/Risk Management Initiative
CERBT: California Employers' Retiree Benefit Trust	HBB: CalPERS Health Benefits Branch
COBRA: Consolidated Omnibus Budget Reconciliation Act of 1985	HBO: Health Benefit Officer
CORE: CalPERS Constituent Relations Office	HIPAA: Health Insurance Portability and Accountability Act of 1996
CSED: CalPERS Customer Service and Education Division	HMO: Health Maintenance Organization
DEO: Deputy Executive Officer	HR: Human Resources
DOIS: CalPERS Division of Operations and Infrastructure Support	HRSD: CalPERS Human Resources Division
DVBE: Disabled Veteran Business Enterprise	HPPS: Office of Health Policy and Program Support
	IDS: Intrusion Detection System

IIA: Institute of Internal Auditors	PAOF: CalPERS Office of Public Affairs
ILAC: Inflation-Linked Asset Class	PBM: Pharmacy Benefits Manager
INVO: CalPERS Investment Office	PBSD: CalPERS INVO Policy and Business Support Division
ISOF: CalPERS Information Security Office	PEMHCA: Public Employees' Medical and Hospital Care Act
ISSCA Form: Information Systems Security and Confidentiality Acknowledgement form.	PERL: Public Employees' Retirement Law
ITSB: CalPERS Information Technology Services Branch	PHI: Protected Health Information
JLRS: CalPERS Office of the Judges' and Legislators' Retirement Systems	PPO: Preferred Provider Organization
JRS I: Judges' Retirement System I	PSR: Pension System Resumption Project
JRS II: Judges' Retirement System II	RFO: Request for Offer
LEADER: Leadership Essentials and Direction for your Emerging Role	SB: Small Business
LEAP: Limited Examination Appointment Process	SCO: California State Controller's Office
LEGO: CalPERS Legal Office	SHP: Sexual Harassment Prevention
LMS: Learning Management System	SMSD: CalPERS Strategic Management Services Division
LRS: Legislators' Retirement System	SPB: California State Personnel Board
LTC: Long-Term Care	SSN: Social Security Number
LTCG: Long-Term Care Group	TPA: Third Party Administrator
MBSB: CalPERS Member and Benefit Services Branch	UARS: User Access Request System
MBSD: CalPERS Member Services Division	
NEO: New Employee Orientation	
OFAS: CalPERS Office of Audit Services	
OHPA: Office of Health Plan Administration	
OPEB: Other Post-Employment Benefits	
OPTD: CalPERS Operations, Performance and Technology Division	
OSSD: CalPERS Operations Support Services Division	
P2F2: Public Pension Financial Forum	

Appendix D

ECOM Resource Library

The books listed below have been purchased by The Office of Enterprise Compliance (ECOM) or provided by ECOM personnel attending various workshops, conferences or training sessions.

2008 National Society of Compliance Professionals (NSCP) National Membership Meeting. 2007.

Alexander, Clifford J. Esq., and Arthur C. Delibert, Esq. *Money Manager's Compliance Guide, Vols. 1 and 2.* Washington D.C.: Thompson Publishing Group, Inc., 2008.

Ambler, Diane E., Lorraine Massaro, and Kristen L. Stewart. *Sarbanes-Oxley Act: Planning and Compliance.* Austin: Aspen Publishers, 2007.

Banks, Theodore L., and Frederick Z. Banks. *Corporate Legal Compliance Handbook.* N.p.: Aspen Publishers, 2007.

Carter, Patricia I. *HIPAA Compliance Handbook* 2007. Austin: Aspen Publishers, 2007.

Chicago Board of Trade, *Commodity Trading Manual.* N.p.: n.p., 1998.

Chicago Board of Trade, *Commodity Trading Manual Home Study Workbook.* N.p.: n.p., 1997.

Compliance Academy. Conference materials. September 24-27, 2007, San Francisco, CA: Health Care Compliance Association.

Compliance and Ethics Academy. Conference materials and session handouts. August 12-14, 2008, Chicago, IL: Society of Corporate Compliance and Ethics.

Compliance and Ethics Institute. Conference materials and session handouts. September 12-14, 2005, Chicago, IL: Society of Corporate Compliance and Ethics.

Corporate Compliance & Ethics: Guidance for Engaging Your Board (Vol. 1: The Board's Perspective). Minneapolis, MN: Society of Corporate Compliance and Ethics, 2004.

Corporate Counsel's Guide to Business Ethics Policies, 2008 Supplement. N.p.: Thompson/West, 2008

Corporate Counsel's Guide to Insider Trading and Reporting, 2008 Supplement. N.p.: Thomson Reuters/West, 2008.

Counsel of Compliance Officers Fall Conference. Conference materials and summary. October 10-12, 2007, Sacramento, CA: CalPERS, 2007.

Daniel, Teresa A. *Cash Balance Pension Plans: A Practical Primer.* N.p.: International Foundation of Employee Benefit Plans, 2000.

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Appendix E

Licensed and Certified Staff

Certification	Division	CalPERS Staff
Associate of the Society of Actuaries (ASA)	ACTO	12
Attorneys	LEGO	25
Certified Compliance and Ethics Professional (CCEP)	ECOM	1
Certified Internal Auditor (CIA)	OFAS	13
Chartered Financial Analyst (CFA)	INVO	30
Certified Fraud Examiner	ISOF	1
Certified Government Financial Manager (CGFM)	OFAS	5
Certified Information Systems Auditor (CISA)	OFAS	10
Certified Information Systems Security Professional (CISSP)	ISOF	1
Certified Investments and Derivatives Auditor (CIDA)	OFAS	3
Certified Public Accountant (CPA)	FCSD	5
	ISOF	1
	OFAS	10
Enrolled Actuary (under ERISA)	ACTO	6
Fellow of the Conference of Consulting Actuaries	ACTO	1
Fellow of the Canadian Institute of Actuaries (FCIA)	ACTO	1
Fellow of the Society of Actuaries	ACTO	4
Member of the American Academy of Actuaries	ACTO	16



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